Cultural Differences and Change in Merger Processes

Ingela Jöns

Department of Industrial and Organizational Psychology
University of Mannheim, Germany

ingela.joens@psychologie.uni-mannheim.de
Cultural Differences and Change in Merger Processes

• Introduction
• Theoretical background and implications
• Empirical findings (a german-american merger)
  – Evaluation of the culture and integration process (interviews with german managers; n= 38)
  – Comparison of the evaluation of the merger, the work satisfaction and situation assessment (employee survey; german: n= 4500; american: n= 3000)
• Conclusions
Introduction

• **The situation in practice**
  – increasing number of mergers and acquisitions (M&A)
  – discussion about the success and failure of M&A
  – culture - a crucial point or an easy excuse in M&A

• **The state of research**
  – models and studies concerning cultural integration
  – pre-post-considerations; influential factors and result
    (imperialism, pluralism, assimilation; struggle, integration, new culture)
  – culture - and its effects on the success of M&A
    (fit is necessary, difference is a chance, meta culture is important)

• **Our focus**
  – the integration process and the experiences of employees
  – control theory and the problematic nature of M&A
  – findings on cultural differences and change
Theoretical background and the nature of M&A processes

- **Comparison with other restructuring processes**
  - reasons for the “merger syndrome”; esp. causes of the higher stress

- **Theoretical background**
  - **action / control theory**
    - dimensions of control (influence; predict; explain)
    - secondary control and illusion of control
  - **theory of structuration**
    - dimensions of structure and actions
      (cognitive and normative rules; organisational and material resources)
    - modalities of power build the link between structure and action
  - **approaches of micropolitics**
    - actions must refer to structure and use the modalities
    - success depends on the own resources - and esp. on the knowledge about the rules and the allocation of power
Theoretical background and the nature of M&A processes II

- Implications for control / experiences in M&A
  
  - definition of structure
    - normative rules might be set up but cognitive rules will evolve over time
    - therefore: which culture will be the valid one
    - material resources might be allocated but organisational resources depend on the interpersonal acceptance
    - therefore: who will define the sources of power and who will be empowered
  
  - modalities and orientation for action
    - structures and modalities are not known or defined (own influence)
    - new managers are not selected, announced etc. (secondary control)
  
  - control experiences - and stress
    - the old culture and structure is no more the relevant one (control by prediction, explanation)
    - the difference between given and believed influence might get obvious (illusion of control)
The post merger integration process
- an evaluation by german managers

• Influential factors on the evaluation
  – participation / involvement in the PMI process
  – competitive relation: product/market segment
  – experienced threat: production strategy (turn key or components)

• Impressions about the merger and integration process
  – cooperative atmosphere in the teams / between people
  – language - culture in the M&A process (consultants) - structure / power
  – behavior and culture of the americans turn the M&A relation to reverse
    • positive thinking, impression management, less analytic and planning (no figures, hard facts), faster decisions and acting, stronger hierarchical structure, better coordination
  – they do not really believe in the success but work for it what ever it is
  – statements
    • “If you put two sick in one bed you will not get one healthy.”
    • “We are all running, we are all very fast, but nobody knows whereto.”
    • “The rules of the game, valid for decision making, should become more clear, to push the process ahead.” “The logic of the new organizational relations is not known.”
    • “Helpless - one does not know anything.”
## Comparison of means by country - and analyses of influential factors

<table>
<thead>
<tr>
<th>Situation index</th>
<th>German</th>
<th>American</th>
<th>Country</th>
<th>Segment</th>
<th>Internat. coop.</th>
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<tr>
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<td>2.7</td>
<td>2.6</td>
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| Management      | 3.8    | 3.1      |         |         |                 |
|                 |        |          | • • •   | • •     |                 |
|                 |        |          | ○ ○ ○   |         |                 |
| Overall satisfaction | 2.7 | 2.2 | • •     |         | ○ ○ |
|                 |        |          | ○ ○     |         |                 |
| Job security    | 3.9    | 2.7      |         | • • •   | ○ ○ |
|                 |        |          | ○ ○ ○   |         |                 |
| Restructuring - informed    | 3.4 | 2.9 | •       |         | ○ |
| Restructuring - understood | 3.2 | 2.8 | •       |         | ○ ○ |
| Restructuring - necessary | 2.9 | 2.3 | • •     |         | ○ |

- small (>0.01)
- middle (>0.03)
- high (>0.06)
- n.s. C-S interaction

**Cultural Change in Merger Processes**

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Conclusions

- Combining control theory with structuration and micropolitics opens an interesting perspective for further research and gives new insights in the experience in M&A processes.
- The findings confirm the importance of culture and symbolic management for the experienced competitive relation and threat by staff dismissal.
- The results support the well known importance of information and participation in M&A processes on the one hand which must be combined with early decisions and clear structures on the other hand.
- The studies also show that besides all cultural discussions and subjective impressions it is the assumend success for the future and the experienced change in work and organisational conditions that count at the end of the day.
- The central implications for practice are:
  - a concrete vision with a realistic perspective for the future
  - decisions concerning strategies, structure and managers
  - bring people together with a common task for the future
  - and they will find their way through cultural differences.