# Riding the Whitewater: A Social Constructionist Approach to the Mergers and Acquisitions Integration Process and the Role of the Integration Manager

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## Abstract

It is widely held that as many as 75% of mergers and acquisitions (M&A) fail to produce intended results. One important factor contributing to this shortfall is that M&A integration strategies are frequently articulated crudely and then inadequately communicated to those responsible for integration. This thesis addresses these challenges and explores more effective ways to perform integration.

A grounded theory building approach is employed in this inquiry. Primary data sources include participant observation based on the author's experience as an M&A integration manager and thirty interviews with professionals experienced in M&A integration.

The primary theoretical basis employed in this thesis is the social constructionist perspective, which is used to develop an M&A integration strategy development and execution process. From this perspective, the critical need during M&A integration is to align with the integration strategy a critical mass of the patterns of discourse or ways of talking occurring in the combining organization.

The results suggest five key challenges inherent in typical M&A integration processes including the frequency of (a) poorly articulated, impractical integration strategies; (b) fragmented understandings of the overall integration process for many of those involved; (c) ambiguity and diffuse foci during integration; (d) conflicting and

redundant organizational processes that become apparent as organizations are combined; and (e) unclear leadership. These challenges are illustrated using interviewees' comments and a case study of an integration effort for which the author was the integration manager.

The recommendations address each of the five challenges presented above including the need to (a) create an emergent M&A integration strategy; (b) engage the whole system in the construction of meaning; (c) focus on creating synergistic combinations of complementary resources (SCORE); (d) develop socially constructed patterns of synchronized action (PSA); and (e) appoint an integration manager to facilitate the construction of meaning. A new metaphor to reconstruct the M&A integration process is also proposed: Riding the whitewater. Finally, specific methods for conducting the M&A integration process are proposed.

# Dedication

To Marcia, Samantha, and Max, without whom I could not have completed this project, my deepest gratitude.

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# Chapter 1: Introduction

## *The Central Dilemma in Mergers and Acquisitions Integration*

### M&A Strategy: Crudely Articulated in Secrecy

It is widely held that as many as 75% of mergers and acquisitions (M&A) fail to produce intended results (Marks & Mirvis, 2001). One important factor contributing to this shortfall is that the strategy for how combining organizations should be integrated is frequently only crudely articulated and then inadequately communicated to those responsible for integration (e.g., Bramson, 2000; Howell, 1970; Marks & Mirvis, 2001). When this occurs, the combining organization frequently falls prey to what has been called *postmerger drift* (Pritchett, Robinson, & Clarkson, 1997), integration efforts go awry, confusion and unnecessary anxieties are created, and the economic benefits expected by those who initiated the deal go unrealized.

The problem typically begins with the development of the initial integration strategy for the proposed combination during the pre-announcement, due diligence process. Frequently, the focus during due diligence is on legal and financial issues. This focus is intended to avoid the potentially disastrous consequences of combining with an organization that has unrecognized liabilities, such as uncollectible financial accounts or serious environmental problems (Begley & Yount, 1994). Moreover, pre-announcement integration strategies are typically developed by a small number of senior managers and M&A staff personnel in an atmosphere shrouded in secrecy without the operations personnel who might contribute valuable perspectives on how and whether the combination is likely to work. In many cases, secrecy is attempted to avoid premature disclosure of the potential combination, which might invite rival bidders into the process who would auction up the acquisition price. However, secrecy is also required to avoid violation of federal antitrust laws prohibiting actions that constrain competition prior to approval and closure of the deal, and to avoid unnecessarily unsettling personnel in the combining organizations.

Upon announcement, far too little attention is typically paid to explaining whatever crude integration strategy might have been developed during due diligence to the operations personnel—including those representing various functions involved in day-to-day operations—who are typically charged with performing the integration. Rather, operations personnel are frequently notified of M&A activity involving their organization through the news media and other impersonal communications channels that fail to address the immediate, substantial questions raised by the combination event. Among these questions are those such as *Who will lead the combined organization? What does this mean for me? To what extent will financial and other functions be combined versus left alone to operate autonomously? To what extent will information and other systems by adapted or converted?*

Unless issues such as these have been discussed in detail prior to the announcement—or unless a clear integration strategy prioritizes the importance of these issues—the breadth of questions raised as a result of a combination announcement can quickly overwhelm the leaders of a combining organization. When this occurs, the integration effort may become stalled due to the lack of clear direction. However, it is also possible that operations managers, seeking to resolve the ambiguity created due to the combination, may take actions which address local needs but which do not necessarily provide the best solution to the overall organization.

The problems created by vague integration strategy and poor transitional communications are frequently exacerbated during the integration process by a lack of clear leadership. In many cases the integration process is led by a number of operations managers who attempt to influence the direction of integration in ways which reinforce their local outlooks and the challenges they face.

## Needed: An M&A Integration Strategy Process

In this thesis I address these challenges and propose a more effective way to integrate M&A. I argue that leaders of combining organizations require a flexible process to help them clearly articulate an integration strategy, communicate this strategy quickly and effectively to the combining workforce, and then adapt the strategy as required to local needs and to what is learned during integration. Such a process must provide the following features. First, it must provide enough structure to guide those involved in due diligence to quickly develop consensus regarding the integration strategy, yet be flexible enough to be easily adapted to the wide variety of circumstances that characterize combining organizations. Second, it must provide mechanisms for communicating the key elements of the integration strategy as quickly as possible after the combination is announced to those who will be charged with implementation. Finally, it must provide the opportunity to meaningfully engage those charged with implementation in the adaptation of the initial strategy to the local circumstances they face so that they develop ownership for integrative actions tailored to address local requirements. Without this final step, the integration strategy is likely to be perceived as irrelevant and impractical by those whose efforts are required for implementation.

## M&A Integration Manager: A Bridging and Coordinative Role

Also required in many integration efforts are the coordinative contributions of an integration manager. This role—about which little prior research has focused—can provide essential bridging and coordinating functions when substantial change processes are unleashed during integration. Integration managers can contribute to the integration process in a number of ways, such as providing clarity regarding the timing and extent of specific integrative activities; providing introductions and facilitating the development of working relationships among combining personnel; coaching and teaching personnel from both sides of the combination about their new partner; and developing and communicating an emerging understanding of what the combination means to each of the organizations.

## The Social Construction of M&A

In this dissertation, the social constructionist perspective (e.g., Gergen, 1994a) is utilized as the primary theoretical basis from which an M&A integration strategy development and execution process is developed. From the social constructionist perspective, the critical need during the M&A integration process is to align with the integration strategy a critical mass of the patterns of discourse or ways of talking occurring in the combining organization. Stated differently, in order to walk the talk of the integration strategy developed during due diligence, a significant number of the whole system of individuals who make up the combining organization must be engaged in candid dialogue regarding the opportunities and challenges inherent in actualizing the intended integration strategy. By doing so, an emergent integration strategy can be developed that is focused on actualizing the intended synergies in the local circumstances in which those charged with implementation reside. Using the initial integration strategy developed during due diligence as a point of departure, combining personnel who are engaged in candid dialogue can socially construct a more relevant, more practical integration strategy that emerges as the integration process is pursued. For example, as detailed knowledge of the local circumstances in which integration will occur is surfaced, and as learning about various aspects of the combining organization occurs during the integration process, the initial integration strategy can be adapted to address specific local requirements. Included among the elements of the integration strategy that are likely to emerge from this process are previously unforeseen opportunities to combine economic resources in synergistic ways, and the opportunity to develop organizational routines (Feldman & Rafaeli,

2002) that enable combining personnel to develop connections and understandings that foster integration.

The social constructionist perspective is well-suited to the challenges presented during M&A integration strategy development and implementation due to its focus on the way shared meanings are developed within relationships through the creative construction of novel discursive patterns and the collaborative construction of meaning. By drawing from the social constructionist perspective, an M&A integration process can be developed which enables the construction of an initial integration strategy that draws from the strengths present in each of the combining organizations, from the disparate but potentially complementary views of those involved in due diligence, and ultimately from the local knowledge of those charged with implementation. With its focus on the generative construction on shared meanings, the social constructionist perspective extends and deepens the understanding of a more collaborative approach to M&A integration, yet does not abandon the value inherent in the coherence provided by an initial strategy developed in the relative isolation of due diligence.

## *Overview of this Dissertation*

Following this Introduction are chapters that address the relevant literature used to develop the social constructionist approach to M&A integration, the methods used in this dissertation, the qualitative results of the grounded theory process employed in this inquiry, and a discussion of these results. Each section is briefly introduced below.

## Literature Review

Literature is reviewed in four areas. First, the process perspective of M&A research (Haspeslagh & Jemison, 1991) is presented as a framework from which the social constructionist approach to M&A integration is developed. Second, research on the due diligence and integration processes is reviewed to illustrate the divide that commonly occurs between the two stages. Third, the limited body of research on the role of the M&A integration manager, as well as the more extensive literature on boundary spanning managers, is reviewed to provide a framework from which the integration manager role can be better understood. Finally, the social constructionist and relational perspectives are reviewed to provide insights that can be employed to develop more effective methods of M&A integration.

## Methods

The primary methodology employed in this dissertation is the grounded theory development process described by Glaser and Strauss (1967) and Strauss and Corbin (1998). To introduce this approach, a summary of the primary methods used to develop grounded theory are described. Also, a project timeline is detailed that describes the development of the grounded theory developed in this dissertation.

## Results

In the first of two chapters, which report the results of this project (i.e., Chapter 4), a brief summary of the overall results of the grounded theory development process is provided. Next, five key themes that describe the primary impediments to effective M&A integration are presented. Then, in Chapter 5, an in-depth case study is presented which illustrates the application of these five themes.

## Discussion and Conclusions

The discussion of the results of this inquiry and the conclusions drawn from the reported data are also presented in two chapters. The first of these (Chapter 6) begins with five proposals for a more effective M&A integration process which address the five key impediments presented in the first of the two results chapters. Then, in Chapter 7, a metaphor which presents a revolutionary understanding of the M&A integration process—riding the whitewater—is introduced and described. This metaphor is proposed to provide a simple but compelling way of characterizing the turbulent change that accompanies most M&A integration efforts as well as the need for a clear strategy, a clear understanding of the overall process, synchronized patterns of action, and clear leadership of the process. Next, the SCORE method of integration planning is described. Finally, several directions for future research are recommended.

# Chapter 2: Literature Review and Theory Development

## *Introduction*

In this chapter, I review literature that provides support for the proposed social constructionist approach to M&A integration strategy development, the execution of the integration process, and the role of the integration manager. First, I present the process perspective of M&A (Haspeslagh & Jemison, 1991), which combines strategic and organizational behavior perspectives as a framework from which such an approach can be developed. Second, I explore the divide that frequently occurs between the pre-announcement due diligence stage and the post-announcement integration stage, and propose the need for a process to bridge these two stages. Third, I present the limited literature on M&A integration managers, and propose a new conceptualization of a boundary spanning integration manager. Finally, I review the social constructionist and relational perspectives. By combining each of the perspectives reviewed in this chapter, I develop a social constructionist approach to M&A integration strategy development, the integration process, and the integration manager’s role. This approach is designed to clarify and build consensus around the initial integration strategy, engage those affected by the combination in the social construction of an emergent integration strategy focused on synergy realization, and provide for the leadership of an integration manager who facilitates the emergence and execution of this strategy.

## *The Process Perspective of M&A: A Combined Focus on Strategic and Organizational Behavioral Elements*

Haspeslagh and Jemison (1991) provide an organizing framework that groups M&A literature into three perspectives. First, the *capital markets* perspective explores the effects of M&A on the overall economy. Second, the *strategy* perspective explores the effects of M&A on individual firms. Finally, the *organizational behavior* perspective focuses on the effects of M&A on individuals. Haspeslagh and Jemison also identify a fourth, hybrid perspective, the *process perspective*, which combines elements of the strategy and organizational behavior perspectives. In the following section, I review the process perspective to provide the basis for the social constructionist approach to M&A integration.

### The Strategic Perspective of M&A Research

Two focal issues in the strategy perspective as articulated by Haspeslagh and Jemison are the realization of synergies and the development of an emergent strategy. The justification for focusing on these two issues is as follows. First, except for M&A situations involving what Haspeslagh and Jemison call “value capture” (1991, p. 22)—which refers to economic gains associated with one-time, transaction-oriented factors such as undervalued assets—synergy realization is the primary motivation underlying most M&A activity. Second, due to the isolated environment of due diligence in which initial integration strategies are typically developed and the rapid rate of change which characterizes most integration processes, an effective, relevant integration strategy must emerge from what is learned and contributed to the integration process by the large numbers of people affected by the combination.

**Synergies**

Sirower (1997) defines synergies as “increases in competitiveness and resulting cash flows beyond what the two companies are expected to accomplish independently” (p. 6). As Sirower explains, premiums offered over the market value of a target firm—typically measured for publicly traded companies by the pre-acquisition stock price—reflect bidders’ expectations of incremental cash flows as a result of M&A activity. Much has been written about the appropriateness of M&A premia including Roll’s *hubris hypothesis* (1986, 1988) which states that acquirers infected with hubris pay too much for targets based on exaggerated and unrealistic views of the improvements that can be made. Stated somewhat differently, acquirers might identify *potential* synergies associated with M&A activity, but fail to identify and actualize the steps required to realize or “release” (Kitching, 1967) these synergies.

Larsson and Finkelstein (1999) proposed a revolutionary definition of synergy. Rather than rely solely on the conventional conceptualization of combination potential based on the degree of *relatedness* (e.g., Datta, 1991; Kusewitt, 1985; Singh & Montgomery, 1987) of combining organizations, Larsson and Finkelstein also incorporated a consideration of the *complementarity* of combining organizations. This complementarity might include “different products, market access, or [elements of] knowhow that fit with and enhance one another” (Larsson & Finkelstein, 1999, p. 6). From this perspective, the *raison d’être* for most M&A activity is the realization of potential ***s***_ynergistic_ ***c***_ombinations_ ***o***_f complementary_ ***re***_sources_ (SCORE) which occur as a result of the combination of organizations. This focus on SCORE fits a wide variety of M&A situations including combinations done for each of the five reasons identified by Bower (2001): (a) the elimination of overcapacity, (b) geographic roll-ups, (c) product or market extensions, (d) M&A as a substitute for internal research and development, and (e) the invention of a new industry that occurs as prior market boundaries erode. In each case, combining organizations typically possess complementary resources—for example, unused production capacity in an acquiring organization that can be used to absorb production and eliminate redundant costs in an acquired organization—which, when combined, offer the potential to create economic value (Haspeslagh & Jemison, 1991).

## Emergent Strategy

Henry Mintzberg has written extensively about strategic planning as an emergent process (e.g., Mintzberg, 1977, 1987, 1994). This view—which presents an alternatively to the traditional portrayal of strategic planning as a deliberate, largely linear process led by senior managers—offers promise for understanding how more effective M&A integration strategies can be developed. As noted above, in most cases M&A integration strategies are developed in a rudimentary form, at best, during due diligence by a small group of senior managers and corporate staff personnel. As such, the initial integration strategy developed during due diligence largely reflects the traditional perspective of strategy as a deliberate, rational, top-down process. However, since initial integration strategies are typically developed in relative isolation by individuals unfamiliar with the details of the situations in which the actual integration will occur, these initial integration strategies are frequently crude approximations of the actual strategies which are required to create economic value accruing from SCORE.

To overcome these limitations, an effective integration strategy must synthesize the crude, rudimentary strategic framework developed during due diligence with the insights and knowledge of a broad cross section of members of the combining organization. In other words, a much broader group than is typically involved in M&A integration strategy development must be invited into the social construction (Gergen, 1994a) of an emergent strategy either during due diligence or as soon as possible after the combination is announced. Lacking this, the integration strategy is likely to be viewed as unrealistic and irrelevant by those charged with implementation of the strategy.

### The Organizational Behavior Perspective of M&A Research

Haspeslagh and Jemison (1991) observe that the stream of research representing the *organizational behavior* school has produced "an extensive and eclectic stream of research that has focused on the people aspects of [M&A] implementation, often to the neglect of strategic requirements" (p. 303). Much of this research focuses on the negative effects of M&A including negative impacts on employee morale (Gutknecht & Keys, 1993; Shirley, 1973), reactions of fear and anxiety (e.g., Astrachan, 1990, 1995; Levinson, 1970; Sinetar, 1981), and high levels of downsizing and turnover (Cannella & Hambrick, 1993; Hambrick & Cannella, 1993; Krug & Hegarty, 1997, 2001; Lubatkin, Schweiger, & Weber, 1999; Walsh, 1988, 1989; Walsh & Ellwood, 1991). According to this literature, the negative implications of a fearful, anxious workforce are profound, and many of the people impacted by M&A are likely to depart the combining organization in search of a less threatening, more predictable environment. If they remain, employees are likely to be distracted from the work of integration, and relations among combining personnel are likely to be strained.

Marks and Mirvis coined the phrase *merger syndrome* (Marks, 1988, 1991; Marks & Mirvis, 1985, 1986, 1997a/b; Mirvis & Marks, 1986) to describe a group of deleterious human and organizational effects caused by M&A including stress, insecurity, centralization of decisionmaking, formalized communication, and crisis management. They also prescribed a number of remedies for the merger syndrome including open communications, the sharing of cultures, the development of common goals for the combination process, and a variety of transition structures such as integration teams.

### The Process Perspective: Engaging People in the Construction of SCORE

Jemison and Sitkin (1986a/b) first articulated the *process perspective*, which combines the strategic perspective described above with "how aspects of the acquisition decision making and integration processes can affect the final outcome" (Haspeslagh & Jemison, 1991, p. 306). Thus, the process perspective acknowledges the need for an effective strategic and organizational fit between combining firms, but also emphasizes the role of organizational members in actualizing potential synergies.

In this dissertation, a specific application of the process perspective is proposed which involves the engagement of those impacted by a combination in the social construction of SCORE. It is proposed that both strategic and human factors associated with M&A can be improved by involving a broad group of senior managers in the development of the initial integration strategy during due diligence, and then involving a representative group of the entire organization immediately after the combination is announced in the emergence and execution of the initial integration strategy. However, achieving this requires a bridge from due diligence to the integration process.

## *Due Diligence and the Integration Process: A House Divided*

In this section, I describe the pre-announcement due diligence process, which is used in the early stages on most combinations, and the transitional stage from due diligence to integration. I then articulate the need for a bridge from due diligence to integration.

### The Due Diligence Process

In larger organizations, M&A activity is typically planned and initiated by specialized staff personnel in a strategic planning or corporate development departments. As noted by Bentley (1996), corporate staff bring the proper training and experience to the complex process of evaluating M&A targets which many operations managers lack. M&A staff members typically review opportunities presented by investment bankers and others for strategic fit, potential synergies and financial performance.

They also typically conduct extensive due diligence investigations during which primarily financial and legal issues are scrutinized.

As noted by Begley and Yount (1994), a primary focus during due diligence is on avoiding an “acquisition disaster” which could occur if key liabilities went unnoticed until after the deal was finalized. Similarly, Kierulff (1981) cautions against the hazards of poorly executed due diligence, and suggests several factors which should be evaluated to select the best target firm. To avoid potential disasters, financial and legal specialists scrutinize accounting and other data during due diligence and investigate potential legal liability associated with environmental issues, employee benefits, and other issues (“M&A due diligence that leaves nothing to chance,” 1993). Also, a variety of financial analysis tools such as discounted cash flow are employed to establish the estimated economic value of the target firm based on the existing assets, future investment requirements, and future earnings potential; the latter may be heavily influenced by synergies which are expected as a result of the combination of firms (Bielinski, 1992, 1993; Shrallow, 1985).

Harmon (1992) explored the downside potential of a due diligence process which is rushed, influenced by an excessive emotional involvement, and which ignores critical factors such as customers, suppliers and employees. Similarly, Harvey and Lusch (1995) recommend an expanded due diligence process which considers tangible and intangible factors including elements of marketing, production and information technology. Thus, the need for a more holistic due diligence process has been established, but no specific process for developing an integration strategy focused on synergy realization has been proposed.

An unavoidable tension exists during due diligence between developing an atmosphere of openness and intentionally manipulating information. Even in the absence of outright fraud, the potential impact on the negotiated price of a variety of financial and operational factors may provide an incentive among target personnel to be less than completely disclosing. However, one of the factors associated with successful acquisitions is a friendly, cooperative attitude during due diligence (Hitt, Harrison, Ireland, & Best, 1998). Further, an acrimonious or political climate during due diligence is likely to inhibit a smooth transition during the integration process.

### The Transition to Integration

The need for comprehensive planning of integration activities has also been established by many authors (e.g., Begley & Yount, 1994; Bower, 2001; Bramson, 2000; Graves, 1981; Howell, 1970; Kim, 1998; Kitching, 1967; Marks, 1982; Marks & Mirvis, 1992; Marks & Mirvis, 2001; Schweiger & Weber, 1989; Shrallow, 1985; Smith & Hershman, 1997; Tetenbaum, 1999; Ulrich, LaFasto, & Rucci, 1989). For example, Kim (1998) concluded that an effective integration plan was the most critical success factor in the sample of M&A deals he studied. The key idea is that a successful integration process must maintain the momentum and excitement of the deal-making stage well into the integration stage and focus the efforts of those affected on achieving the combination objectives. Unsuccessful integration efforts frequently fall prey to the chaos, lack of interest and lack of ownership which result when the corporate staff and senior managers who investigate and negotiate a deal move on to the next project, while the operations managers charged with integration lack the enthusiasm to properly integrate the combining firms.

There are at least two approaches for establishing an integration plan. First, a corporate staff can create an integration plan designed to take advantage of synergies which are expected as a result of the combination. This top-down, traditional approach privileges the knowledge of an elite corporate staff, although it may take advantage of a certain level of sophistication and familiarity with the current project that exists among corporate personnel. However, a much more inclusive approach was described by Ulrich, LaFasto, and Rucci (1989) who described the merger of Baxter Travenol and American Hospital Supply. In this situation, integration planning began long before the deal was finalized and involved a substantial number of the managers affected by the combination. The integration schedule was intentionally accelerated, and operations personnel participated in the development of the integration plan. Thus, rather than implementing an integration plan handed down from an elite corporate staff, a large segment of the management staff was involved in co-creating the plan.

The execution of M&A integration has also been the focus of many authors (e.g., Begley & Yount, 1994; Bouwen & Overlaet, 2001; Galpin & Herndon, 2000; Graves, 1981; Hitt, Harrison, & Ireland, 2001; Marks & Mirvis, 1992, 1998; Mirvis & Marks, 1992; Pritchett, 1987; Schweiger & Weber, 1989; Shrallow, 1985; Smith & Quella, 1995; Tetenbaum, 1999; Ulrich, LaFasto, & Rucci, 1989). Many authors reflect the process perspective when they suggest that the value created in M&A occurs after the deal is finalized (e.g., Smith & Quella, 1995). However, others point out that the integration process is frequently either ignored or allowed to unfold in a haphazard, unplanned fashion (e.g., Tetenbaum, 1999). For these reasons, developing an understanding of what occurs during the integration process and what can be done to make this process more effective is of critical importance.

## Required: A Bridge from Due Diligence to Integration

Some authors recommend the inclusion of operating personnel or some other multidisciplinary team to help cope with the complexity of due diligence (e.g., Kroener & Kroener, 1991) and to develop a sense of ownership for the integration effort (Marks & Mirvis, 1992; Shrallow, 1985). However, broadening involvement on the due diligence team can increase the risk that news of a potential deal will be prematurely leaked. This could potentially inflate the purchase price if other bidders enter negotiations (Boland, 1970; Marks & Mirvis, 1992). Further, involving operations managers in the review of sensitive data prior to approval of the deal by federal antitrust officials can create legal liabilities.

Despite these concerns, the economic losses associated with failing to build this bridge are profound. Thus, effective M&A integration requires a process that creates the enthusiastic engagement of those affected by the combination in the execution of an emergent integration strategy focused on the identification and realization of SCORE.

## *The M&A Integration Manager*

Suppose that a sound, highly credible integration strategy was developed for a particular combination which clearly articulated how SCORE could be achieved. Suppose further that a critical mass of those affected by the combination became passionately engaged in developing ways to actualize the integration strategy in their local circumstances. Might this be enough to achieve effective integration? Perhaps, but only if the knowledge gained during the integration process, as well as conflicts and adjustments required to the initial integration strategy, were quickly and effectively communicated to all those affected. In larger, more hierarchical organizations this is highly unlikely, and it may even be unlikely even in smaller organizations due to the rapid rate of change which occurs in most M&A integrations. To address this, an integration manager can fill an important role in many integration processes.

### Prior Research on M&A Integration Managers

Although several commentators on the M&A integration process have articulated the need for clear leadership for the integration process, surprisingly little research has focused on the role of the M&A integration manager. Two early articles proposed the need for M&A integration managers, although neither specifically used this phrase. First, Kitching (1967) asserted the involvement of "managers of change" as the most important factor leading to the successful "release of synergy" from combining organizations. Second, one of the ground rules suggested by Leighton and Tod (1969) for the management of successful integration processes was the appointment of a general manager from the acquiring group as the "helmsman" of the integration process.

Over the next three decades, a handful of other authors suggested the role of the M&A integration manager. For example, Alarik and Edström (1983) asserted "the key importance of a co-ordinator role to handle conflicts which [arise] during post-merger integration" (p. 217). Shrallow (1985) suggested the need for a project leader for the M&A integration process "to coordinate the efforts of all involved and spearhead implementation of the review procedures" (p. 35). Schweiger and Weber (1989) empirically investigated a number of organizational and human resource issues surrounding the M&A integration process, and concluded that the most effective approach in successful M&A integration efforts was the assignment of a top manager from the acquiring company to manage the integration process. Finally, Begley and Yount (1994) and Marks and Mirvis (2000) articulated the need for transition managers to provide leadership to teams involved in the M&A integration process.

Ronald Ashkenas and his colleagues were the first to provide a detailed exploration of the role of the M&A integration manager. In two *Harvard Business Review* articles (Ashkenas, DeMonaco, & Francis, 1998; Ashkenas & Francis, 2000), they articulated several fundamental ideas about M&A integration managers. First, they noted the irony of (a) the large amounts of money invested in M&A, (b) the historically poor track record of M&A integration efforts, and (c) the infrequency with which companies use dedicated M&A integration managers to manage the integration process. Second, they asserted that the integration manager must come from the acquiring company in order to guide and coach acquired managers regarding how to achieve success in the combined organization. Third, they argue that the role of the integration manager is to manage the integration process rather than the bottom line of the acquired organization and, as a result—and in contrast to the suggestion made by both Leighton and Tod (1969) and Schweiger and Weber (1989)—the integration manager role should not be played by the general manager. Finally, they reiterate two important roles suggested by prior authors including prioritizing and maintaining focus on integration goals and strategies, and educating, translating and interpreting events for managers in both the acquiring and acquired organizations (Ashkenas & Francis, 2000). Ashkenas and Francis also highlight four ways M&A integration managers contribute to the integration process: They (a) speed it up, (b) create a structure for it, (c) forge social connections, and (d) create short-term successes. Finally, they propose five key success factors for integration managers including (a) a deep knowledge of the acquiring firm, (b) little need for personal credit, (c) comfort with chaos and ambiguity, (d) a responsible sense of independence, and (e) emotional and cultural intelligence.

## Prior Research on Boundary Spanning Managers

Given the dearth of prior research on M&A integration managers, a helpful starting point for further delineating this role is to draw from the extensive scholarly literature on *boundary spanning managers*. The study of boundary spanners derived from the *open systems* view of organizations (e.g., Katz & Kahn, 1966; von Bertalanffy, 1950) which portrays organizations as having interior segments separated from the external environment by permeable boundaries. From this perspective, boundary spanners were originally portrayed as individuals who cross the external boundary of the organization to collect valuable information, and then cross back to the host organization to filter, interpret, translate and disseminate the information throughout their organization.

In one of the earliest conceptualizations, Katz and Kahn (1966) proposed three boundary roles: (a) the acquisition and disposal of resources, (b) the representative role of relating the organization to the environment in which it resides, and (c) adapting the organization to the environment. Katz and Kahn also identified the process through which differentiated organizations develop specialized languages to improve efficiency within the boundary of the organization, and the role of bilingual boundary spanners in translating across boundaries. Organ (1971) described boundary spanners as the “linking pins” between organizations and the environments in which they reside. He also proposed a set of personality traits that characterize effective boundary spanners including the ability to manipulate words and symbols, a good memory, flexibility, and extroversion. Adams (1976) described several unique properties of boundary positions including (a) their distance from, or marginal status within, the host organization, (b) their role as an organization's representative, and (c) their role as an agent of influence to both internal and external parties. In a similar vein, Aldrich and Herker (1977) suggested two boundary spanner roles: (a) information-processing and (b) external representation. As this brief review of early conceptualizations of boundary spanners indicates, despite the prevalence of the information-processing view there was also a focus on the use of language and the importance of relationships—two key elements of the social constructionist approach presented below.

Others extended these early conceptualizations of boundary spanners by portraying them as critical for spanning not only external boundaries, but also boundaries *within* the organization (e.g., Galbraith, 1973; Katz & Tushman, 1983; Tushman, 1977; Tushman & Katz, 1980; Tushman & Romanelli, 1983; Tushman & Scanlan, 1981a/b). This later work continued to extend beyond the information-processing perspective and placed greater emphasis on the relational role boundary spanners play in facilitating shared realities. For example, Tushman and Scanlan (1981b), citing Berger and Luckmann's (1967) seminal work on social constructionism, showed that the success of boundary spanners was partially dependent on their ability to read contextual cues when translating across internal boundaries. More recently, Ancona and Caldwell (1992) explored several relational aspects of boundary spanning teams, including their efforts at molding others' impressions, coordinating, negotiating, seeking feedback, and "mapping," which "entails constructing a picture of the external environment" (p. 637). Ancona and Caldwell note that the mapping construct "has analogues in socially constructed realities (Weick, 1979) and sense making (Louis, 1980)" (p. 637). Other work that has considered relational aspects of the boundary spanner role include Caldwell and O'Reilly's (1982) examination of the importance of social awareness for boundary spanner success; Currall and Judge's (1995) and Friedman and Podolny's (1992) examinations of the importance of boundary spanners' ability to build trust; Spekman's (1979) examination of the use of social power by boundary spanners; and Gittell's (2000, 2002) examination of boundary spanners as builders of shared goals, shared knowledge and mutual respect.

## Boundary Spanning M&A Integration Managers

Two papers (Bahde, 2002; Bahde & Gittell, 2003) have examined the role of boundary spanning M&A integration managers. In the first, Bahde identified four roles played by M&A integration managers derived in part from the literature on boundary spanners: (a) project managers, (b) relationship builders, (c), coaches or teachers, and (d) reality constructers. Each of these roles is described below.

### Project Managers

M&A integration managers act as *project managers* who accelerate the integration process in many ways such as initiating projects requiring the collaborative efforts of members of combining organizations. This key role of M&A integration managers has much in common with prior descriptions of boundary spanners who coordinate the efforts of individuals and teams (Ancona & Caldwell, 1992; Caldwell & O'Reilly, 1982; Friedman & Podolny, 1992; Shrallow, 1985). M&A integration managers also filter information (Aldrich & Herker, 1977) about combining organizations and focus the attention of other organizational members on key strategic initiatives (Ashkenas & Francis, 2000). They may also control access to recently acquired managers to avoid overwhelming them with requests for information (Ashkenas & Francis, 2000) or visits from acquiring managers (Leighton & Tod, 1969). M&A integration managers may also act as *monitors* who measure and report progress during the integration process (Shrallow, 1985), or as *surveillants* who confirm that the acquired firm is as represented during due diligence (Begley & Yount, 1994; Kitching, 1967; Shrallow, 1985).

**Relationship Builders**

M&A integration managers also work to build relationships across the boundary of combining organizations. For example, Ashkenas, et al. (1998) describe the integration manager's effort to "build connective tissue … that will become self-generating over time" (p. 172). As noted above, Ashkenas and Francis (2000) include forging social connections as one of the four ways M&A integration managers facilitate the M&A process. M&A integration managers may also act as ambassadors (Ancona & Caldwell, 1992) who represent each of the combining organizations to those who need to become quickly acquainted with their new partner.

**Coaches/Teachers**

M&A integration managers also frequently act as coaches or teachers. The coach role has been described in prior literature on M&A integration managers (Ashkenas, et al., 1998; Ashkenas & Francis, 2000; Leighton & Tod, 1969; Marks & Mirvis, 2000; Schweiger & Weber, 1989) which has portrayed the integration manager as one who guides and helps acquired managers learn how to become successful in the combined organization. For example, Ashkenas, et al. (1998) noted that “[p]eople in a newly acquired company need someone they can talk to freely, to ask ‘stupid’ questions, find out how things work at … [the acquiring company], and discover what resources are available and how to use them” (p. 169). M&A integration managers fulfill this role as they educate members of combining organizations about the other organization, bridge cultural understandings and guide perceptions, and act as gatekeepers (Katz & Tushman, 1983) of critical information (Ashkenas & Francis, 2000). By acting as educators and cultural guides, M&A integration managers interpret and translate information for other organization members to facilitate their understanding of the combining organization. For example, M&A integration managers may translate acronyms or other localized languages of the acquiring organization for acquired managers (Ashkenas et al., 1998), explain complex formulae or analytic tools used by the acquirer (Leighton & Tod, 1969), or interpret the behavior of people from other cultures. As these examples show, the use of language and the relational aspects of the integration managers’ performance are key elements of this role.

**Reality Constructers**

As a result of their role in filtering, interpreting and translating information, boundary spanning M&A integration managers are influential in determining how the environment is perceived, and guide the social construction (e.g., Gergen, 1994a) of the organization and its place in the environment. As noted above, the notion of boundary spanners as facilitators of the social construction of reality has been suggested in prior research (Ancona & Caldwell, 1992; Bahde & Gittell, 2003; Tushman & Scanlan, 1981b), but has not been extensively explored. In regard to M&A integration managers, the key function of this role is the facilitation of the construction of a shared reality among members of combining organizations (Bahde, 2002). Simply put, in order to be able to collaborate on the identification and realization of synergies—the key focus of the "managers of change" described by Kitching (1967)—members of combining organizations require a shared sense of what is real and what is possible.

As reality constructers, M&A integration managers collect and organize a potentially overwhelming array of information about the combining organization and influence others' perceptions and understanding of issues such as the importance and priority of certain decisions (Alarik & Edström, 1983). Also, as noted by Gergen (1994a), reality is socially constructed through the development and use of shared language, and developing a shared language among combining personnel is one of the key roles of boundary spanning M&A integration managers (Ashkenas et al., 1998; Ashkenas &

Francis, 2000; Organ, 1971). Further, in order for the integration process to proceed smoothly, differences of opinion must be reconciled and a shared understanding of many issues must be socially constructed by members of the combining organizations (Schweiger & Weber, 1989).

Bahde and Gittell (2003) elaborated the relational, social constructionist perspective of boundary spanning managers and noted their role in building connections, developing common languages, and facilitating the creation of a collective sense of identity among groups separately by various types of boundaries. One of the key challenges they describe in fostering these roles is the tendency for much of the facilitative, relational work they perform to get overlooked or “disappeared” in organizations (e.g., Fletcher, 1995, 1998, 1999). This challenge is explored further below.

### *Social Constructionism and the Relational Perspective*

In order to develop a more effective M&A integration process, I explore the metatheoretical perspective of the social construction of reality in some detail. To do this, I provide a brief overview of the social constructionist perspective, its application to several organizational factors frequently impacted by M&A integration, and an overview of several relational perspectives. As explained below, each of these relational perspectives are inextricably linked to social constructionism, and each has important implications for the social constructionist perspective of M&A integration.

## Overview of the Social Constructionist Perspective

### <u>Ontological And Epistemological Assumptions</u>

The social constructionist perspective is based on assumptions about what is real (in philosophy, this is called *ontology*) and how we come to know what is real (in philosophy, this is *epistemology*) which are quite different than those which have predominantly been in place in the western hemisphere for several centuries. Since the period typically called the enlightenment, the scientific method—sometimes called *scientific empiricism* or *logical positivism*—has been the predominant world view. The ontology of the scientific method is based on the existence of a stable or fixed world external to human consciousness. For example, it is taken for granted by most that the Earth is round, that it will continue to remain round, and that prior assumptions regarding its flatness are simply incorrect. The epistemology of the scientific method relies on precise observations and measurements which are repeatable by others who follow precisely the same methods. For example, all who travel into space should verify the roundness of the Earth.

The pervasive influence of this paradigm during past centuries raises questions about how some might dare take issue with the tried-and-true scientific method. However, it is exactly this unlikely challenge that is proposed by social constructionists. In contrast to the ontological assumptions of stability and fixedness, social constructionists emphasize the ability to construct reality through discourse—that is, by engaging in dialogue with each other. From the constructionist perspective, language is portrayed as the key vehicle for the construction of reality. However, language is not seen by constructionists as offering accurate pictures or maps of stable observations that we might share. Rather, as proposed by Wittgenstein (2001), it is through “language games” that we come to understand the meaning of words. As we become socialized into a culture, we learn to play the particular games endorsed in that culture. The implicit rules of these games are created—that is, socially constructed—by influential members of the group (Gergen, 1999). Thus, one may propose that shouting or jumping up and down is a meaningful follow-up to announcing, “Let me tell you what happened this morning.” However, unless one co-creates this behavioral pattern with others—or creates the pattern alone and persuades others to join in—one will be dancing alone. If one’s objectives include taking concerted action with others, some level of buy-in to the language used in a particular group is necessary.

According to Wittgenstein, when we see our use of language as a game that is played with others in hope of constructing a common reality, we invite the possibility of freeing ourselves from rigid, dogmatic, literal perspectives. However, all uses of language involve choice regarding what is emphasized and what is ignored, or the creation of “binary distinctions” (Gergen, 1999) between what is emphasized or ignored. Essentially, then, the process of socially constructing reality is based on creating a common language and coming to agreements regarding which binary distinctions will be employed. For example, if I see the opposite of success as failure, but a person with whom I must collaborate sees that opposite of success as misfortune, we may find our collaboration strained. As a practical matter, we may have different ideas of how to approach evaluations of success and its binary. Assuming we share sufficient language and the motivation to engage in dialogue, our challenge would be to socially construct a way of understanding success and its binary so that we can move forward in concerted action—in this case, so we are able to establish a common process to evaluate success. By coming to these agreements, we then establish patterns that we can share and use as long as they continue to address the needs for which they were created.

In contrast to the epistemological requirements for carefully controlled experiments and rigorous methodologies advocated by logical positivists, social constructionists emphasize the importance of dialogue between those who would socially construct reality. By engaging in dialogue, we can deconstruct taken-for-granted ways of seeing reality in order to open the possibility of alternative constructions (Gergen, 1999). For example, when seen from space, the Earth seems clearly round, but when driving through Kansas it appears decidedly flat (Gergen, 1999). By inviting the disparate views of both travelers of space and more local settings, we open ourselves to alternative constructions of reality that may be more suitable—more meaningful or more useful—in certain situations than others. Further, one of the primary benefits of the social constructionist alternative to the scientific method is that it challenges complacency regarding traditional ways of seeing things and readies us to take an active role in discussing preferred ways of exploring what is real and what is possible. Further, by becoming aware of presumptions of these factors, we prepare ourselves for the task of optimally engaging in this task. For example, we may ask questions such as, “How might we best organize ourselves to make sure this critical dialogue occurs?” or “Are there relational impediments that interrupt our ability to conduct dialogue in such a way that we fully consider a wide range of options that may be available to us?” In the example above, how might we organize to conduct a dialogue regarding the shape of the Earth if there was a need for the travelers described above to move forward in a concerted way? The social constructionist perspective prepares us for this challenge.

In practice, the decision to engage in the effort to develop shared constructions of reality are typically motivated by superordinate goals shared by disparate groups. As long as empiricists and constructionists, travelers of space and Kansas, or others whose views seem antithetical prefer isolation and fragmentation to the effort required to construct a shared reality, that effort is unlikely to occur. But when two or more individuals realize the need to move together in relative harmony, the effort to socially construct a shared reality may seem worthwhile.

Although the social constructionist perspective may initially seem radical and many prohibitions may be raised—most of which have been anticipated and addressed by Gergen in his extensive writings on social constructionism—it may also be possible that the constructionist perspective accurately describes the everyday world of organizational practitioners. For example, the relentless pace of change in many organizations frequently requires those affected to use a crude form of social constructionism when they assess situations to which they must react, discuss the options, and quickly decide on a course of action (Shotter, 1993). In fact, this line of thought has been advocated by the President of Royal Philips Electronics, Gerald Kleisterlee, who sponsors “strategic conversations” aimed at building confidence, stimulating cooperation across previously impenetrable internal boundaries, and accelerating the speed with which new products are brought to market (Wylie, 2003). Further, it may also be possible to bridge the apparently antithetical approaches of the scientific method and social constructionism in both research and professional settings. For example, the results of quasi-experiments conducted as part of a total quality management (TQM) initiative may involve the analysis of data by co-workers who attempt to make sense of, or socially construct, the factors that led to the results and the preferred means of responding.[1]

## The Cycle of Deconstruction and Reconstruction

Some who employ postmodern methods of inquiry, of which social constructionism is but one example, are content to deconstruct existing power bases of knowledge in order to open the door for those whose voices have been pushed to the margins. As noted above, constructing reality relies on the creation of binary distinctions. For example, if the position on a certain topic I prefer is silenced or ignored by the conventional construction of reality, I am likely to advocate the deconstruction of this way of seeing things (Gergen, 1999). Thus, scholars representing groups lacking the power to have their perspectives represented as mainstream—including women, racial minorities, homosexuals, and so on—focus on the deconstruction of mainstream perspectives with the primary intent of undermining the truth claims made by their proponents.

In the social constructionism developed by Gergen, this deconstructive effort is not enough. Rather, deconstruction of existing truth claims is seen as a necessary, but only an initial, step of the process of social constructionism. Gergen (2001) notes five problems inherent in the focus on deconstructionism without a subsequent effort at reconstruction. First, this focus typically creates a *closure of conversation*. By focusing predominantly on critique without inviting the search for shared meaning, the deconstructionist inadvertently sustains the binary thinking which was the initial impetus for their attack. For example, feminists who argue “against male dominance simultaneously reify a distinction between men and women … [and] operate to essentialize gender as a factual difference” (Gergen, 2001, p. 47). Further, by focusing on one pole of the binary, those representing the other pole are likely to become antagonized and alienated from their attackers. Second, the deconstructive critique is likely to be perceived *as condemnation* by those with opposing views. Third, critical efforts are likely to lead to the *atomization of community*. That is, rather than have one’s place in a community of knowledge destroyed, one is likely to defend the position of the community. As individuals subjected to critique gather their defenses, they are likely to recruit the like-minded to join the counter-attack. As this occurs, any possibility of dialogue among those with disparate views disappears. Fourth, critique can lead to a *totalizing impulse* to annihilate the opposition. As Gergen (2001) says, "[i]n effect, the symbiotic character of critique operates to silence the voice of the target; the other's totalizing discourse is obliterated in order that the opposition … may take its place" (p. 53). Finally, there are the *problematics of principle*. As postmodernists succeed in deconstructing the basis for existing truth claims, so do they undermine the basis for any counterclaims which might be asserted.

Given these five interrelated problems, Gergen (1994a) advocates a four stage process for moving from one form of intelligibility to another. In stage one, the existing way of constructing reality exists without significant threat and those who share common cultural backgrounds are largely content. In stage two, a challenge is presented by those for whom the form of intelligibility is no longer adequate; for example, the 1960s hippie culture challenged many conventional forms in intelligibility in place at that time. A transformative phase occurs at stage three which follows this critique of the previous form of intelligibility. Here, an alternative way of seeing reality is proposed. In the 1960s, this occurred as the hippie culture was introduced through music, film and other media to the general public. As the proposed alternative "approaches the status of plain talk or common sense" (Gergen, 1994a, p. 13) during stage four, the cycle is completed. This occurred as many elements of the hippie culture were adopted as mainstream. In short, it is not enough to simply engage in critique (or deconstructionism) and stop there. Rather, in order to have a preferred system of intelligibility emerge, it is necessary that we engage those with disparate views in transformative dialogue.

## Social Constructionism and M&A Integration

How might the social constructionist perspective be applied to the challenges of M&A integration? In this section, the constructionist perspective of a number of factors impacted by M&A integration is explored. Among these factors are the development and maintenance of a sense of identity, the experience of emotion, the experience of conflict, the development and maintenance of social structures, the presence of power relationships, the creation and transmission of rumors, and the development of strategy. Although the topics noted above do not comprise an exhaustive list of the organizational factors affected by M&A, the sections below offer the social constructionist perspective of a number of key factors cited in the M&A literature. By articulating this perspective, it becomes possible to challenge many of the taken-for-granted assumptions regarding the M&A integration process and set the stage for a reconstruction of these factors from the social constructionist perspective.

### The Social Construction of Identity

The social constructionist perspective of identity suggests that "relatedness precedes individuality" (Gergen, 1994a, 214) and that we develop our notion of who we are by engaging in relationships. Drawing from this perspective, it becomes possible to address the common charge that M&A leads to the death of identity (e.g., Bouwen & Overlaet, 2001; Buono & Bowditch, 1990; Cartwright & Cooper, 1990; Ginter, Duncan, Swayne, & Shelfer, 1992; Marks & Mirvis; 1992) for many of those involved. From a constructionist perspective, our prior identity was formed through relationship, and we are free to reconstruct our identity by engaging in new relationships with members of the combining organization. As advocated by Gergen, a “thoroughgoing relativism in expressions of identity” (1994a, p. 249) would enable combining organizational members to reconstruct their identities as part of the new, combined organization. As they achieve this, they might begin to realize the benefits of a “pastiche-like personality” (Gergen, 2000, p. 170), a flexible, complex assortment of identities drawn from multiple sources offering multiple applications. Further, they might also begin to develop a deeper sense of their interdependence and relatedness. As Gergen (2000) notes, “[r]elationships make possible the concept of the self. Previous possessions of the individual self—autobiography, emotions, and morality—become possessions of relationships. We appear to stand alone, but we are manifestations of relatedness” (p. 170). The enhanced sense of relatedness can also play a key role in helping us to move smoothly from one socially constructed identity to the next. That is, as we become more sophisticated in our understanding of multiple, overlapping forms of relationship, we become more adept at quickly switching from one identity to the next as we are prompted to do so by cues from changing relational situations.

In M&A, this reconstruction of identify might help to achieve coherence with a shift in the organizational identity—as when a family-owned organization is acquired by a conglomerate—or to move from a function eliminated due to redundancy to one required and valued in the combined organization. However, as noted by Gergen (2000), acknowledging the socially constructed nature of our identities does not mean that we must abandon the "traditional forms" of prior identities we experienced. For example, if my role as a strategic planner in an acquired company were eliminated as part of a consolidation effort, I might revert to a prior identity as a financial or marketing manager either in the combined organization or in another. The social constructionist perspective of identity provides the means to move with greater fluidity among a pastiche of identities such as these. Those able to achieve this fluidity are better equipped to engage in the social construction of the emerging, combining organization, or to engage in another organization which is more supportive of the identity they wish to develop. Adhering to a rigid sense of identity is among the worst of options in these changing situations.

Clearly, it is one thing to *say* that we can achieve this awareness of the socially constructed nature of identity, but it is quite a different thing to actually achieve this awareness. As Shotter (1993) notes, the notion that our identities—the core of who we are—are socially constructed may be difficult for some to accept. However, at this point it must suffice to raise the *possibility* of a socially constructed identity which is adaptable to the contingencies brought about by M&A. Raising this possibility opens the door to an alternative way of seeing things which may enable those impacted by M&A to achieve adaptations previously thought impossible.

**The Social Construction of Emotions**

Is it also possible to recast the experience of emotions as socially constructed? Some have suggested that it is possible (e.g., Harré, 1986). However, others will certainly hold steadfast to the notion that emotions have a biological base which transcends and overwhelms the sort of human agency suggested by social constructionism. Gergen (1999) responds to this criticism by noting that the experience of physical pain is constructed with great variation among different ethnic groups, as well as boxers, football players, masochists, and others who endure or even enjoy pain.

Despite the potential for especially divergent views on this topic, in this section I summarize the argument for the social construction of emotions (Gergen, 2000). From this perspective, it becomes possible to challenge the common view that negative emotion—including fear, anxiety, and the other elements of the merger syndrome—is a necessary outcome of M&A. Further, the significant change which typically accompanies M&A integration need not necessarily lead to negative emotion, but can provide the adventure of “continuous construction and reconstruction; … a world where anything goes that can be negotiated” (Gergen, 2000, p. 7).

The notion that the experience of emotion is determined at least in part by the way emotions are perceived has been suggested for several decades. For example, Schachter's (1964) research on emotional labeling challenged the notion that various emotions arise from distinct biological bases. Rather, Schachter suggested that disparate emotions arise from an experience of generalized physiological arousal which is labeled as one emotion or another based on social cues available in the immediate context. If this is reasonable, and if we are able (as suggested above) to reformulate our interpretation of situations by engaging in dialogue which enables us to socially construct alternative interpretations, perhaps this is the mechanism which allows us to social construct alternative experiences of emotion. Thus, if I become physiologically aroused during M&A integration, I may be able to label this arousal as excitement about new opportunities rather than fear or anxiety regarding potential losses. Further, as Gergen (2000) notes, the suggestion that we can obtain objective, definitive knowledge about any topic is problematic. For example, "for psychophysiologists the rose is not red but 'colorless.' The experience of color, they argue, is the result of energy at specific wavelengths being reflected on the cornea" (p. 169). If our certainty about the true color of a rose is placed in question, how might we maintain certainty about the one correct way to experience emotion in a given situation?

Gergen (2000) bolsters the case for socially constructed emotions by framing them, like other behavioral elements, as performances (or games, to continue in the

Wittgensteinian tradition) which have certain sanctioned options. As he notes, the perspective of emotions as socially constructed has changed the way some psychotherapists approach their clients. The proponents of one such approach, called *solution focused* therapy, encourage clients to focus on goals and potential solutions to their problems rather than engage in lengthy explorations of the factors which may have led to their suffering. This approach suggests the possibility that the perception of reality on which we focus, as well as the language we employ to express our views, can have profound effects on the way we experience emotions.

This reconceptualization of emotions as socially constructed also suggests the possibility of experiencing positive emotion during M&A integration. If dialogue about this possibility can be generated, it may also be possible that this can become a lived reality. Further, if this occurs, it may also be possible to draw upon the beneficial effects of positive emotion noted by others, such as the "upward spiral" of positive emotion posited by Aspinwall (1991), Aspinwall and Taylor (1997) and Fredrickson and Joiner (2002).

## The Social Construction of Conflict

As with emotion, some may recoil at the idea of conflict in M&A as social constructed. How else, some may ask, are reasonable people expected to react to having their worlds torn apart, their livelihoods threatened? Once again, despite this possible critique, in this section I present the case for the social construction of conflict.

To begin, Gergen (2001) suggests a dialectic approach to constructing "new combinations" which results from "open, fluid" communication. As noted above, when this dialectic process occurs it is initiated by the deconstructive impact of the critique of an existing form of intelligibility. Such a critique is inherently conflictual, and those who see benefits from continuing to use the existing form of intelligibility are likely to "reaffirm their relationships, articulate the value of their tradition and locate myriad ways in which their attackers are unjust and misinformed" (Gergen, 2001, p. 51). However, Gergen (2001) also suggests that if it is possible to maintain an atmosphere in which "communication is open, fluid and unproblematic, … [people are] acknowledged and accepted by the others, and efforts are made at common understandings" (p. 51), the conflict which emerges from this dialectic process could be interpreted as the raw material from which "new combinations," as Gergen puts it, could be created.

In M&A, the "new combinations" which are sought involve the social construction of SCORE and the processes which enable those involved to manage the combined organization. Unfortunately, dysfunctional conflict typifies many efforts at M&A integration. When this occurs, stress levels are typically high, and synergy realization is typically low. Gergen's ideas suggest the possibility that this common situation is not a necessary effect of the significant change brought about by M&A. Rather, the dysfunctional conflict which typifies M&A integration is brought about due to a cycle of critique, polarization into binary thinking (e.g., homosexual versus heterosexual or the ways of an acquirer versus those of the acquired), and defensive posturing which is felt necessary to preserve the identities and relationships imbedded in one's position on an issue. For example, members of an acquiring organization may perform certain business functions on personal computers, while members of an acquired organization perform similar functions on a mainframe computer. As dysfunctional conflict emerges, any thoughtful dialogue about the strengths and weaknesses of each approach—or the possibility of bridging mechanisms that might be constructed to translate between existing forms of intelligibility—is likely to give way to critique, polarization, and binary thinking. When this type of conflict occurs,

> [p]eople are divided into warring camps, distrust mounts, communication deteriorates, rationalities of 'the evil other' are formulated, complex issues are reduced to the simple binary of us vs. them, other voices and issues are ignored, and there is a slow move to mutual annihilation. (Gergen, 1999, pp. 205-206)

At the point of "mutual annihilation," the opportunity to realize synergies through a combination of business functions is likely to fade as relationships become strained and true dialogue ceases.

What, then, are the alternatives? Gergen (2001) suggests one: A method called *dialectical irony*, a process which "involves taking both a position and the contrary, not so as to negate oneself but to emancipate oneself from the demands of either position alone" (p. 173). This perspective has much in common with Smith and Berg's (1987) perspective on engaging rather than avoiding paradox. In both cases, the relentless quest for a certain, unassailable position on an issue is abandoned. In place of this, those facing the paradox or dialectic come to accept the tension and look for opportunities to transcend the binary of either extreme position. Although this approach fails to neatly dismiss the potential for conflict, that is probably not a desirable objective anyway. As Gergen (1999) suggests, "tendencies toward division and conflict are normal outgrowths of social interchange…. [S]o long as we continue the normal process of creating consensus around what is real and good, classes of the undesirable are under construction" (p. 149). From this view, we should not seek to develop "warm and cozy communities, conflict-free societies, or a harmonious world order" (Gergen, 1999, p. 149). Rather, we should seek the ongoing means to develop consensus around particular constructions of realities, particular binaries of that which is attended and that which is ignored.

## The Social Construction of Social Structures

Another important issue during M&A integration is the need to modify social structures, such as reporting relationships, departmental organizations, and so on. The common view holds that the dissolution of these structures necessarily leads to fear, anxiety, and the experience of death (Kübler-Ross, 1969). However, the social constructionist perspective suggests that the development and maintenance of social structures need not be traumatic, but instead can be seen as part of the normal cycle of deconstruction and reconstruction that is characteristic of being alive.

Here, the seminal work of Berger and Luckmann (1967) has much to offer. Their classic thesis, that "the stability of human order" is due to human invention rather than unseen, unchangeable forces of nature, is stated as follows:

> From what does the empirically existing stability of human order derive?… The most general answer to this question is that social order is a human product, or, more precisely, an ongoing human production. (pp. 51-52)

As this passage indicates, the deconstruction and reconstruction of social structures is to be expected; these are part of the process of "ongoing human production." The payoff from this effort at constructing social order is predictability and efficiency of effort. That is, as two or more individuals work together to social construct routines that are eventually taken for granted, each is able to reliably predict the behavior of the other and the "action of one is no longer a source of astonishment and potential danger to the other" (Berger & Luckmann, 1967, p. 57).

Berger and Luckmann also describe how social structures are initially developed through face-to-face dialogue. In these situations, the creators are aware of the socially constructed nature of their agreements and, as a result, typically feel free to renegotiate their agreements when they no longer suit their needs. In other words, the attitude is "since we made up this way of being together, we are free to remake it in any way that suits us." However, when social structures are created by some and handed down to others, the structures may seem to carry historical precedence and the solidity of institutions. In these situations, change may be more difficult. Gergen

(2000) describes this process of the solidification of social structures—which Berger and Luckmann call institutionalization—as “metaphor grown complacent” (p. 223). Gergen also notes that complacent metaphors which are regarded as literal or fixed can create a kind of truth, but not the objective, everlasting Truth suggested by some. Rather, the truth created through the process of institutionalization is a “truth in context” (Gergen, 2001, p. 101). From this view, the solidity of the institutions which result from the process of social construction is illusory. Rather, the “institutions” were socially constructed at their inception, and may ultimately be subjected to deconstruction and reconstruction if challenged as their utility declines.

When significant change occurs, as is typical in M&A integration, it is desirable to loosen our commitments to the institutions which give meaning to our actions so that new, more appropriate, more “felicitous” (Gergen, 1994a, p. 85) constructions may be developed. Required to achieve this are processes which encourage members of combining organizations to recognize the social constructed nature of the social structures they use and enjoy, and which encourage dialogue about the potential for their deconstruction and reconstruction. It is this sort of process, specially designed for the context of M&A integration, which is the objective of this dissertation.

**The Social Construction of Power**

No discussion of M&A integration could be complete without addressing the issue of power, but clearly this issues raises challenges. On the one hand, senior executives are charged with realizing value from M&A activity and bear fiduciary responsibility for delivering on the promises made at the time of acquisition. However, on the other hand, sharing power-knowledge (e.g., Foucault, 1980) broadly among those who are impacted by a combination can be an important factor in engaging those affected in the integration effort. Paradoxically, I argue that it is only by sharing this power to participate in the deconstruction and reconstruction of social structures—as well as other elements of the combined organization such as the emergent integration strategy that guides the integration process—that the economic value expected from the combination may be realized. This argument reflects the findings of the extensive literature on empowerment (e.g., Conger & Kanungo, 1988; Hardy & Leiba-O'Sullivan, 1998; Herrenkohl, Judson, & Heffner, 1999; Keller & Dansereau, 1995; Kirkman & Rosen, 1999; Lin, 1998; Parker & Price, 1994; Pfeffer, 1994; Quinn & Spreitzer, 1997; Randolph, 1995, 2000; Spreitzer, 1995, 1996, 1997; Spreitzer, Kizilos, & Nason, 1997; Spreitzer & Mishra, 1999; Spreitzer & Quinn, 1996; Thomas & Velthouse, 1990) which suggests that the elimination of excessive, rigidly bureaucratic structures can increase employee commitment, creativity and productivity.

As suggested by Foucault, power relations are imbedded in the enactment of typical activities which offer the potential to order and structure otherwise chaotic reality. Gergen (1999) notes Foucault's focus on:

> the way in which people quite willingly subjugate themselves to subtle forms of power. We are not speaking here of the obvious forms of power—control by law and arms, but rather, the insinuation of power

> into the ordinary. In spite of our tremendous capacities for variation, for the most part we live very ordered lives; with few questions or qualms, we attend school, enter professions, pay for our purchases, go to doctors, and so on. For Foucault, in the very exercise of these taken-for-granted practices, we demonstrate our subjugation to power. (p. 38)

As with the institutionalization of social structures, we may discover benefits associated with this “subjugation to power.” As Gergen notes, avoiding all exercises of power—all constructions of binary distinctions which give voice to certain perspectives while silencing others—is “essentially a step into insignificance—a space where there is no freedom because there are no distinctions, and thus no choices” (Gergen, 1999, p. 41). Rather than seek to avoid the discipline which exercises of power bring, Gergen (1999) invites us to “generate alternative understandings of greater promise” (p. 41). As Foucault suggests, we can choose to avoid the exercise of power in some particular context, but if we do so we necessarily enter into a power-knowledge relationship in another context in which we choose to participate. Thus, from Foucault’s perspective, the critical issue is not to focus on dismantling existing power structures so that we can be free. Rather, at issue is who is involved is creating these institutions, these habitualizations, these metaphors grown complacent and turned literal.

During M&A integration, power is typically exercised through the enactment of an integration strategy, which is typically developed and imposed by senior management and the due diligence team. To borrow a phrase from Gergen (1999), a “certain legitimacy inheres" (p. 81) in this action. The members of the senior management team should be among the most knowledgeable people regarding the overall business strategy of the organization, and the due diligence team is typically the most knowledgeable about the particular M&A situation. However, as Gergen (1994a) suggests, it is only when rigid notions of power are deconstructed that we open ourselves to the possibility of new, more appropriate, more widely shared constructions. Rather than seeking a "radical transformation, a disjunctive leap into the alien and unfamiliar" (Gergen, 1994a, p. 4) during M&A integration in which the views of senior management and the due diligence team are ignored or discarded, I propose the need for a "self-reflexive assessment of the traditions, and inquiry into the benefits and shortcomings of [the] beliefs and practices" (Gergen, 1994a, p. 4) in place at each of the organizations combined through M&A, as well as "an exploration of alternative possibilities" (Gergen, 1994a, p. 4) for how the combined organization will be constructed and operated. These efforts, I propose, should be focused on the opportunity to create SCORE in such a way that creates economic value and on developing routines (Feldman & Rafaeli, 2002) which enable those affected by the combination to work together more effectively. This "process of inquiry [should] enhance the possibility of selectively salvaging and absorbing" (Gergen, 1994a, p. 4) the relationships, local languages, business practices, and other social constructions in use at each of the combining organizations in such a way as to open new possibilities for maximum performance levels based on criteria established in the emergent integration strategy. It is necessary, as Gergen suggests, that we "soften the edges of our commitments [to fixed ideas and practices] so that others may be heard more fully" (Gergen, 1994a, p. 4) and meaningfully involved in the integration process. Further, I suggest that this is necessary to maximize both the creation of economic value and the meaningful engagement of the members of the combining organizations.

In suggesting this, I acknowledge a certain "theory Y" (McGregor, 1960) assumption that most people are positively motivated to perform well and accept appropriate responsibility levels. As Gergen (1999) suggests, this assumption leads to constructions which privilege certain language and actions (for example, that integration should involve as many of those affected by the combination as possible) while silencing others (for example, that integration should be conducted by a SWAT team which exercises unilateral power and dictates the methods and content of integration). Although I expect most people to welcome the invitation to participate in the social construction of the combining organization, I also expect that some will not welcome this invitation. Those who are not willing or able to embrace the emerging story of the combined organization are likely to eventually leave either by their own accord or by others'.

Although this position may appear insensitive to the difficulties created for some in a rapidly changing environment such as that which occurs during M&A, it also honors the freedom of those involved to choose to stay and make the effort to participate in the social construction process or leave to pursue this effort elsewhere. Further, since it is in the best interest of those responsible for managing the combined organization to avoid a mass exodus of people who can contribute to the welfare of the organization, there should be a naturally occurring incentive to sincerely offer the invitation to remain part of the emerging, combined organization. An exception to this approach occurs most often in the first of the five reasons for M&A identified by Bower (2001), the elimination of overcapacity. However, strictly speaking it is not the M&A activity which creates the redundancy which in turn leads to downsizing and other eliminations of redundancies, but rather the prior strategic decisions and market changes which combined to create the overcapacity. In these situations, the combination process is simply the final step in a series of events which led to overcapacity and the need to eliminate it in order to improve economic efficiency. Finally, those responsible for managing the combined organization are well-advised to be aware of the negative impacts on survivors of downsizing (e.g., Brockner, 1988), especially when the level of perceived justice of the downsizing process is low (Mishra & Spreitzer, 1998; Mishra, Spreitzer, & Mishra, 1998), and make efforts to avoid these effects.

## The Social Construction of Rumor—The Need for a Coherent Story

The theoretical literature on rumor suggests that rumors are generated as an effect of anxiety (e.g., Anthony, 1973; Rosnow, 1980, 1988, 1991). In short, as anxiety becomes intolerable, those affected create stories which bring a measure of certainty to an otherwise chaotic situation, and the resolution these rumored stories create reduces anxiety. However, like other psychological defense mechanisms, rumors can be an ineffective means of creating certainty due to the likelihood that important elements of the rumored story are not consistent with that of the larger organization. For example, if the elimination of a certain function is rumored, those who staff this function may take actions unwarranted if the function is not slated for elimination. Further, for some people the certainty of rumors depicting worst-case scenarios is preferable to the uncertainty of the possible. Rumors such as these drive much of the fear and anxiety which are said to provide the impetus for rumors, and a self-fulfilling prophecy is thus created.

From a social constructionist perspective, the construction of worst case rumors represent an “unwanted repetitive pattern,” as described by Gergen (1994a). Using the example of domestic violence to illustrate, Gergen explains how “once the pattern (or scenario) has begun, … [those involved] may feel little choice but to bear on toward its normative conclusion—physical abuse” (p. 225). Although M&A infrequently triggers physical violence, the prevalence of worst case rumors and unresolved conflict has been well established in the M&A literature. Thus, when the significant change which is characteristic of M&A integration occurs or is expected, a fundamental need is created for a coherent story of what is expected.

This need for a coherent story has been well established in the social constructionism literature, especially in the reconstruction of stories of the self in psychotherapy.

Here, narratives are seen as having a “centrality in our lives, giving us a sense of order and direction, holding our relations in place” (Gergen, 1999, p. 172). When a taken-for-granted story is made obsolete, as during the dissolution of a marriage, constructionist therapists attempt to assist their clients “to re-story their lives, to conceptualize their life trajectories in new and more livable ways” (Gergen, 1999, p. 172).

In M&A integration, the challenge is for those affected to “to re-story their lives” in the combining organization. Like the client in therapy, the objective is to locate stories which more ideally fit the rapidly changing environment of the combining organization. However, the story of the combining organization will be authored not by a single individual or small group as in therapy, but (ideally) by a much larger constituency of the organization. Although this adds complexity regarding how to generate and combine the different storylines, it may also help those involved to avoid becoming trapped in the myopic perspective of a singular, grand narrative which has little coherence for many whom the story will impact (Gergen, 1994a).

Despite the advantages of engaging multiple authors in co-creating the story of the combined organization, many organizations involved in M&A attempt to impose their way of doing things, their story of the combination process, without engaging those affected in dialogue. This tendency is especially prevalent among acquiring organizations which attempt to impose their ways upon the members of the acquired organization. When this occurs, the integration process is frequently delayed (at least) due to resistance on the part of the acquired organization; sometimes the integration process completely breaks down as key personnel depart or otherwise undermine the integration efforts of the acquirer.

One way of understanding this process is that acquirers have a story—or dominant logic (Bettis & Prahalad, 1995; Prahalad & Bettis, 1986)—of why they do what they do and how they do it. During turbulent, chaotic and traumatic times such as M&A integration, organizational leaders are especially likely to return to their familiar dominant logic to create a sense of unity that, it is hoped, will help overcome the perception of chaos. However, the social constructionist perspective shows why it is imperative to engage broad groups from both sides of the combining organization so that all involved can discover one another's stories or dominant logics. When this discovery occurs, the possibility of co-creating a new story or dominant logic for the combined organization can be realized. The critical point to this approach is that the first step is to try to understand the stories present in the organization about why people do what they do, or think what they think. In other words, the attempt is to locate the "truth in context" (Gergen, 2001, p. 101) present at each of the combining organizations, or the familiar ways of understanding and responding to the local situations in which the members of combining organizations reside. After these local truths are discovered, the second step is to engage the members of the combining organization in creating new local truths that fit the combined organization. Clearly this truth building will require a somewhat dialectical, conflictual process in which the merits of a variety of local truths are proposed and evaluated, but failure to engage and resolve these conflicts is likely to lead to the fragmentation and divisiveness so prevalent in the M&A literature.[2]

The creation of a single storyline at the outset of the integration process is typically not sufficient even if it represents the views of a large constituency of the organization. Rather, as the integration process unfolds, the story of the combining organization will emerge, just as it does for those in therapy. As Gergen (1994a) says, “The ultimate challenge for therapy … is not so much to replace an unworkable narrative with a serviceable one, but to enable clients to participate in the continuous process of creating and transforming meaning” (p. 245). As this suggests, the initial story of the combining organization will create a point of departure for the social construction of the combined organization. However, a process which encourages “the continuous process of creating and transforming meaning” is then required to take account of what is learned as integration progresses. As with the self (the target of the narrative reconstruction in psychotherapy), the objective is to avoid becoming trapped in fixed ideas of what the combined organization will become and instead create a process that invites a fluid creation of an organization in which SCORE are combined in optimal ways.

This suggestion of the importance of stories may seem incredible to some. Stories, it may seem, lack a level of seriousness befitting a situation with as much at stake as M&A integration. What is required in these situations, it may be argued, is a serious, realistic plan for how to integrate the combining organization. However, inherent in any integration plan is a story of how the organization's leaders wish to see the organization combined. As noted above, just as there is little ground for thinking of the world as definitively round or flat, there is also little ground for arguing for one correct way to achieve the combination of organizations through M&A. Rather, some degree of strategic coherence among the organization's leaders can set the stage for the emergence of a coherent story about the combination process. Shotter (1993) argues this point as follows:

> In rejecting realism, I reject the idea that there are discoverable, indisputable "foundations", or "standards", or "limits" in terms of which claims to truth can be judged. Yet, I do not of course want to go so far as to say that, so long as one can tell a good story in its support, then just "anything goes". Again, the key to the resolution of this dilemma is to be found by situating it within a community. It then becomes that of distinguishing, from within the community, between what are "real" possibilities and what are "fictitious" possibilities for us, given who we are to ourselves culturally. (p. 13)

Just as Shotter rejects the idea that "anything goes," the suggestion of the importance of a coherent story in M&A integration does not suggest that just any story will do. Rather, as Shotter argues, the credibility of the combination story will ultimately be evaluated by the whole system (Weisbord, 1987) of those it impacts. Simply put, a credible combination story is much more likely to embraced by those responsible for integration than a story which lacks credibility.

**<u>The Social Construction of Strategy</u>**

Each of the above sections—on the social construction of identity, emotions, conflict, social structures, power and rumor—prepare us to discuss the social constructionist perspective of the development of an emergent strategy which guides the integration effort. In considering the development of the initial integration strategy, I begin with the assumption of a certain amount of privilege awarded to the senior management team responsible for the initiation of the combination. In other words, “anything goes” (Gergen, 2000, p. 7) is not the guiding metaphor for the development of M&A integration strategies. Rather, due to the need for confidentiality during the due diligence process, and due to the assumed competence of senior managers to create a sound initial strategy, I assume that the initial strategy will typically be developed during due diligence and (ideally) presented to a broader group shortly after the combination is announced. At some level, an initial integration strategy must be developed for a deal to occur. For example, the acquiring organization typically estimates the value of a target based on the present value of expected cash flows. This valuation typically assumes the realization of certain synergies which imply integration strategies. However, these initial integration strategies are not always well articulated among the larger group involved in integration, or even among the smaller group involved in due diligence. Put another way, the initial combination story is frequently vague or lacks credibility among many it impacts.

The challenge of developing this integration strategy is twofold. First, a coherent initial integration strategy must be developed during due diligence and must reflect the dominant storylines among senior managers from both sides of the combination. Lacking buy-in from each side, the acquiring organization had best be content to avoid integration as much as possible or be prepared to replace at least the senior management team of the acquired organization. In certain cases, as noted by Bower (2001), a largely hands-off approach to integration may be appropriate, at least with regard to certain elements of combining organizations. However, if either of these scenarios—avoidance of integration or the dismissal of a significant portion of the acquired leadership team—are primary objectives of the combination, the social constructionist approach to M&A integration may not be the most suitable approach. Second, as soon as possible after the announcement, dialogue must be generated among the broader group impacted by the integration process such that a critical mass of the whole system assumes responsibility for participating in the social construction of an emergent integration strategy. Although some elements of this emergent strategy are likely to deviate from the initial integration strategy developed during due diligence, the overall direction of the integration strategy will typically remain consistent with the direction established by senior management. At the same time, the presentation of the integration strategy developed during due diligence must present a compelling story with a valued endpoint (Gergen, 1999) to the combining workforces, something that will get them energized to do the work of integration.

The urgency of M&A integration demands a focus on building and developing the specific tools and structures which are used to actualize SCORE. As noted above, a crude integration strategy is typical developed during due diligence, but typically this first draft is partially deconstructed and reconstructed during integration as new information is learned and multiple perspectives are combined. However, this reconstruction cannot occur simply at the level of mission or vision. Rather, it must occur at the level of specific business processes, and it must evolve iteratively, dialectically, though a process which involves (a) developing a crude integration strategy, (b) gathering a group and discussing alternative approaches regarding issues associated with integration, (c) trying something, (d) watching what happens, (e) refining the crude integration strategy, and repeating the process indefinitely. Thus, a unique feature of effective M&A integration is the experimental flavor with which many social structures are developed. In an effective integration process, crude social structures, including organizational structures and policies, are frequently drafted quickly and placed into action almost immediately. This iterative, experimental approach provides the advantage of moving quickly and avoiding needless delay while also reducing ambiguity and providing the means to assess the appropriateness of the crude approach for the combined organization. In many cases, there is no way to know what approach is optimal given the speed with which things typically change during integration. For this reason, the emergent integration strategy cannot be developed in isolation by senior management and the due diligence team. Rather, a much larger group representing the whole system must be engaged in this process.

This process of beginning with a crude integration strategy developed during due diligence and immediately engaging those impacted by the strategy in its further development presents a challenge. The group involved in due diligence typically begins the integration process with a sense of ownership, a great deal of enthusiasm, and a certain pride of authorship for the initial integration strategy. However, in order for the integration process to be successful, the whole system must buy into the strategy. To manage this tension, those involved in the creation of the initial integration strategy must balance advocacy of their creation with a sincere invitation for the rest of the organization to join the development of the emergent integration strategy. Gergen (1999) describes a similar tension for the psychotherapist engaged in social constructionist therapy:

> [T]he constructionist therapist must enter the consultation with a *stance of not knowing*, that is of relinquishing the grasp of professional realities, and remaining curious and open to the client's vocabularies of meaning. In this case it is not the therapist's task to "lead the way to knowledge" but to collaborate with the individual (or family) in generative conversations. The therapeutic relationship is thus one of *conjoint meaning making*. (p. 170, emphasis added)

A significant challenge in M&A integration is for the senior managers and due diligence team to balance advocacy for the initial integration strategy "with a stance of not knowing" and engage the whole system in "conjoint meaning making." Further, this challenging step must be undertaken by individuals who are typically highly educated and accustomed to developing and enacting policy decisions. However, if this is not accomplished, there will be little opportunity for generative dialogue focused on the development of an emergent integration strategy which carries a high level of credibility for the entire organization.

## The Relational Perspective

The social constructionist and relational perspectives are inextricably linked in that the former presumes the importance of relationship and dialogue in the construction of reality. However, in this section I switch the focus from the social constructionist theory which describes how various forms of intelligibility are developed to several relational perspectives which contribute a general understanding of how the process of social construction can effectively occur in M&A integration and other contexts.

There are at least three important aspects of the relational perspective, each of which is discussed below. First, I review literature on the notion of *relational identity*. Establishing the merits of this view are critical to overcoming threats to the sense of individual identity widely cited in the M&A literature. Second, I review literature on *relational responsibility*, the notion that if we are to move forward in concerted action each of us must share responsibility for the welfare of our relatedness. Finally, I review the theory of *relational coordination*, a more operationally oriented theory that stresses the critical role relationships play in coordinating work processes.

### A Relational View of Identity

As suggested above, an emphasis on relatedness as opposed to a strict individualism requires a more relational view of identity. As suggested by Gergen (2000), many may consider this relational view of identity revolutionary given the Western preoccupation with individualism (Hofstede, 1997) during recent centuries. As noted above, the social constructionist focus is not one of evaluating this tendency as good or bad in and of itself. Rather, the constructionist asks what options are invited or precluded when this perspective is taken. In the present analysis, the primary shortcoming of the predominantly individualistic perspective lies in the challenges it creates in developing a shared sense of meaning and a shared set of objectives among groups involved in M&A. Specifically, the individualistic tendency leads those involved to ask questions such as, “How will this process affect me?,” “Will I be promoted, demoted or downsized as a result of this process?,” or “How can I gain advantage over those in the opposing organization?” A more relational perspective shifts the frame of reference to suggest questions such as, “Given that we have been thrust together as a result of this combination, what might we do to make the most of it?,” or “How might we approach apparent conflicts between what is good for the combining organization versus what is good for us as individuals and construct ways of moving forward that serve each need?”

Note that, paradoxically, approaching the combination with this relational perspective may lead to increased individual benefits if doing so generates rewards for addressing the combination objectives. For example, if by adopting the relational perspective with colleagues from the organization with which my organization is combining I am able to achieve certain objectives sought through the combination, my colleagues and I are likely to receive acknowledgement and rewards for doing so. Further, assuming that I support the general direction of the integration strategy, I am likely to find personal fulfillment in constructing and achieving combination objectives. In contrast, if my colleagues and I fail to address combination objectives, we are likely to lose credibility in our organizations, be passed over when promotional opportunities become available, and suffer the frustration and disillusionment so common in M&A.

For these reasons, there are clear benefits to adopting a relational perspective. However, as Gergen (2000) says, “cooperating with others means ‘sacrificing one’s own desire’ to the will of others, [and] individualism … discourages cooperation and the development of community” (p. 97). Lacking this sense of community, there is little impetus to develop shared meaning or to work in a concerted manner unless doing so coincidentally serves one’s interest. In contrast, adopting a more relational sense of identity invites the opportunity to engage in the shared objectives initiated by the combination such the identification and realization of SCORE and the common routines which provide the platform for collaboration.

Given the western preoccupation with individualism, some may be exceedingly reluctant to soften their grip on an individualistic sense of identity. For example, it may seem incredible to suggest that I should do other than “look out for number one.” Further, others may see benefits in retaining a predominantly individualist sense of identity, especially in M&A situations which involve downsizing. For example, if my identity is intertwined in relationships embedded in the organization in which I reside and I am forced to leave, this may leave me vulnerable to significant emotional and other disturbances. From this perspective, the individualist may appear more flexible and less vulnerable to change than those with more relational identities. However, a potentially effective alternative to a strict individualism—even in situations characterized by downsizing or other significant changes—is to develop a sense of one's identity as born in relationship. From this view, one becomes who one is by engaging in relationships. Further, as one engages in new relationships, one is presented with opportunities for developing new identities. Thus, a relational identity invites a less fixed, more fluid sense of identity, while at the same time making it likely that significant change—which is likely to disrupt ongoing relationships—may require the development of new relationships.

As noted above, Gergen calls the personality formed with an awareness of relational identity a "pastiche personality." This "personality is a social chameleon, constantly borrowing bits and pieces of identity from whatever sources are available and constructing them as useful or desirable in a given situation" (Gergen, 2000, p. 150). A pastiche personality invites us to experiment with new identities and draw from a well-stocked toolkit of possible identities as they become useful or desirable in a given situation. Thus, a relational view of identity points to the value of adaptability. For example, if those involved in M&A integration draw from a pastiche personality, they may be better equipped to adapt a new identity consistent with the exigencies of either the combining organization or—if they are downsized or decide to move on—a new organization. If this occurs, I may suffer the loss of prior, meaningful relationships, but I may also invite the adventure of developing new relationships and new elements of my pastiche personality in whatever new environment I find myself. To put it differently, rather than necessarily becoming trapped in the debilitating effects of the merger syndrome, I may discover a new adventure waiting to be constructed either in the combining organization or in another one.

## Relational Responsibility

One result of assuming a more relational sense of identity is the likelihood of developing a sense of responsibility for the relationships in which one engages. Thus, in M&A, I may shift my focus from a rigid focus on “looking out for number one” and begin to evaluate the effects of my actions on others. For example, if prior to a combination I am evaluated on specific performance targets such as reduced inventory levels or the percentage of customer accounts for which payment has been collected, I may shift my focus from maximizing the specific performance targets to maximizing the overall welfare of the combined organization. Further, if I find that the reward structure in place at the combining organization places a destructive focus on myopic objectives which conflict with the overall welfare of the combined organization, I may choose to temporarily forego these rewards and advocate a restructuring of rewards to reinforce the objectives of the combined organization. In general, as I begin to construct reality with a more relational sense of identity and respect for relational responsibility, I come to expect—and perhaps even welcome—the need to consider my impact on the community.

Shifting from a primarily individualist perspective to a more relational perspective may require significant effort to change taken-for-granted ways of reacting to others. For example, Gergen (1999) notes that “mutual blame is an impediment to relational responsibility” (p. 157), and presents four options for increasing relational responsibility. First, rather than attack you directly for what I perceive as a dominating attitude, I may attempt locate *internal others* within the repertoire of your personality and say something like, “The way you are talking, I seem to hear your father’s dominating voice…” (Gergen, 1999, p. 157). Doing so may displace the criticism away from your core self, and thereby reduce the likelihood of your defensiveness. Second, if I feel insulted by something you say, I may seek to locate the *conjoint relations* which have involved both of us in creating this insulting behavior. For example, instead of asking, “How can you say that to me?” I might ask, “How did we get ourselves into this situation?” (Gergen, 1999, p. 157). Third, if I become irritated by you, I may seek to locate a set of *group realities* which cause the irritating behavior. As Gergen says, “If we move the discussion to focus on group differences, individual blame recedes in importance” (Gergen, 1999, p. 157). Finally, we may engage in something Gergen calls *the systemic swim*, which involves a search for “the ways in which we ourselves participate in creating the patterns we most devalue” (Gergen, 1999, p. 158).

A practical outgrowth of relational responsibility is a focus on *relational practice* (Fletcher, 1995, 1998, 1999). Fletcher suggests four types of relational practice developed for project-oriented organizational settings. The first type is *preserving*, which involves “activities intended to preserve the life and well-being of the project by taking on tasks that would protect it from harm or prevent future problems” (Fletcher, 1999, p. 49). Examples of preserving include voluntarily performing mundane tasks such as data entry to ensure that the project remains on schedule. The second type of relational practice is *mutual empowering*, which “refers to behavior intended to enable others’ achievement and contribution to the project” (Fletcher, 1999, p. 55). For example, one example of a mutually empowering action is empathic teaching, which involves teaching others in a way which minimizes the teacher’s dominance. Fletcher’s third type of relational practice is *self-achieving*, which involves “using relational skills to enhance one’s professional growth and effectiveness” (Fletcher, 1999, p. 65). For example, maintaining network relationships, or making efforts to correct misunderstandings which could make work relationships problematic, are examples of self-achieving behavior. The final type of relational practice is *creating team*, which involves “activities intended to foster group life” (Fletcher, 1999, p. 73). For example, providing affirmations to group members is one type of behavior focused on creating team. Each of these relational practices reflect the spirit of relational responsibility in that each requires individual effort to achieve primarily collective outcomes.

Some may react to advocacy of relational responsibility and the kinds of behaviors suggested by Gergen and Fletcher as pie-in-the-sky, romantic suggestions of a state of organizational bliss. I suggest something quite different. It is my thesis that the kinds of relational perspectives advocated above are an important factor in realizing the practical and economic objectives of M&A integration. Only when we begin to see our fates as intertwined do we open the door to the possibility of high performance in combined organizations. Without a more relational perspective, even combinations which seem to offer great potential are likely to fall short of intended results as a shared sense of the mission erodes and those involved become engaged in futile battles to maximize their individual interests.

## Relational Coordination

A more relational view of identity and a stronger sense of relational responsibility is likely to lead to projects which have shared objectives. However, effectively pursuing shared objectives requires relational coordination, or the management of interdependent tasks, among participants. Coordination is fundamentally a process of interaction among participants and, as such, is a highly relational process (Gittell, 2002). Previous theorists have recognized the centrality of communication for effective coordination, but according to Gittell have overlooked the critical role played by relationships. According to Gittell (2002),

> Shared goals motivate employees to move beyond subgoal optimization and to act with respect to the overall work process. Shared knowledge informs employees how their tasks fit relative to other tasks in the work process, enabling them to act with respect to the overall work process. Respect for the work of others encourages employees to value the contributions of others and to consider the

> impact of their actions on others, further reinforcing the inclination to act with respect to the overall work process.... With high levels of relational coordination, participants in a work process are expected to more effectively manage their task interdependencies, enabling them to improve performance along both quality and efficiency dimensions. (p. 1410-1411)

This relational view of coordination was anticipated by Gergen (1994a) who noted that “through relational coordination, language is born, and through language we acquire the capacity to render ourselves intelligible. Relationship thus replaces the individual as the fundamental unit of social life” (p. 253).

Gittell has identified a series of formal organization design elements that serve to strengthen and build relational coordination, some of which may be relevant to a combining organization. These elements include supervisory coaching and feedback (Gittell, 2001), protocols and routines, team meetings, and boundary spanning activities (Gittell, 2002). For example, even in environments subject to significant uncertainty, protocols and routines can play a profound role in building shared understandings of the work process (Adler & Borys, 1996; Feldman & Rafaeli, 2002). Furthermore, protocols are particularly effective when they take the form of process maps that elucidate how each person’s tasks are linked to those of others (Gittell, 2002). These arguments suggest that members of combining organizations should work quickly to develop new protocols and routines, including process maps, as part of a larger effort to build shared understandings that facilitate the coordination of work.

A second design element relevant to the M&A process is the role of the boundary spanner, such as the M&A integration manager role described above. Boundary spanners help build relationships that facilitate the coordination of work by developing shared goals, shared knowledge and mutual respect among participants in a given work process (Gittell, 2002; in press). As noted above, in M&A the integration manager works to build relationships and shared understandings among people who must collaborate in the combined organization. This aspect of the M&A integration manager's role has been discussed by Ashkenas and Francis (2000) who comment on the need for integration managers to "build connective tissue" among members of the combining organizations. The theory of relational coordination suggests that, in addition to building relationships across the boundary of combining organizations, integrating boundary spanners will also be required to facilitate the coordination of work for each process that includes participants from both organizations. Although the theory of relational coordination addresses the M&A process at the operational rather than strategic level, operational coordination is required to achieve SCORE. Thus, this theory helps to explain how the relational perspectives described above can contribute in a highly practical way to the strategic objectives of M&A.

## Dialogue and Multilogue

As may be apparent from the preceding sections, any separation of the social constructionist perspective from that of dialogue is artificial. Rather, as noted above, the social constructionist perspective is inherently based in relationship and dialogue.

Further, the social emphasis in the constructionism proposed by Gergen (2000) leads him to reconstruct dialogue as “multilogue.”

> It is not “the answer” that we must seek but rather a continuous “process of answering.” Required are ceaseless conversations—negotiations, comparisons, and mutual explorations. And the range of participants must not be circumscribed to the trusted and reliable, but expand outward to include strange and even alien voices. Needed, then, is not a dialogue but a multilogue, the outcome of which is not a single, rational plan but a richly nuanced sensitivity. When acutely sensitive we are best equipped for moment-to-moment improvisation, for creatively coordinating our worlds in workable ways. If we are to survive, improvisation will become our way of life. (p. xxiii)

The multilogue approach is well-suited to the needs of M&A integration. In these situations, large groups are frequently thrust together, typically with little or no preparation, and must immediately create new ways of working together to solve problems and achieve goals which are frequently only partially articulated. To meet this challenge, a process which creates the opportunity for multilogue is required. The challenge, as noted above, is to invite members of the combining organization into the process of co-creating the combining organization and developing relationships among combining members such that they can develop common languages which provide opportunities for constructing SCORE. However, simply bringing people together to engage in conversation is not enough to achieve the kind of coordination required in M&A integration. As Gergen (1999) suggests, a certain transformative quality of dialogue is required, one which involves not “a mere exchange of views, but … moving beyond alienated co-existence to a more promising way of going on together” (p. 148).

In M&A integration, bringing the whole system (Weisbord, 1987) together in dialogue is likely to create opportunities to discover commonalities among colleagues from either side of the combining organizations. For example, accountants from one side of the combination are likely to discover commonalities with accountants from the other side, marketing people with their counterparts in marketing, and so on. Further, by exposing people from each of these groups to a holistic presentation of the combination objectives, each is likely to see the necessity of cross-functional coordination. For example, operations personnel may see the necessity of adjusting specific performance targets involving factors such as inventory levels in order to meet combination objectives focused on market penetration. By creating these opportunities for interaction and dialogue, the tendency to explain others' actions in a negative way—the "movement toward extremity" (Gergen, 1999, p. 149)—should be addressed. For example, challenging members of combining organizations to work together to create and achieve short-term goals should help to overcome the initial sense of "alterity" (Gergen, 1999)—that is, the sense of otherness or lack of commonality—and help those involved realize their interdependence. However, having strangers come together and quickly move forward in concerted, relatively harmonious action will also require ongoing dialogue. Required to overcome the tendency toward alterity is a process which facilitates the ability of those in the combined organization to temporarily cope with the ambiguity inherent in bringing members of the combining organizations together and the dissonance this creates. Also required is a process which encourages the development of a relational perspective among members of the combining organization. The measure of success of such a process is the co-creation of a feliticious (Gergen, 1994a) system of constructions, that is, a system which builds reciprocally on the constructions of each person involved in the dialogue.

One of the benefits of creating a forum for transformative dialogue is that tacit knowledge (Polanyi, 1966) located among the members of the combining organization may be discovered and linkages among these sources may be constructed. Applying the social constructionist frame to this issue, tacit knowledge is best understood not as warehoused in the minds of individuals, but as embedded in relationships. For example, two or more people who regularly work together create unwritten and sometimes unstated procedures which guide the way they work together. If these relationships are destroyed during integration—as frequently happens in the “winner take all” approach to M&A—the networks of tacit knowledge imbedded in these relationships will also be destroyed. Further, since these valuable sources of knowledge are tacit (and thus invisible), it is unlikely that this loss will be recognized until evidence of declining performance becomes apparent.

Knowledge which has been codified—that is, documented and stored in statements of policy, accounting and other databases, and engineering documentation—can be helpful to those involved in the integration process because it is less fragile than purely tacit knowledge (Hakanson, 1995; Light, 1999; Singh & Zollo, 1998).

However, even sources of codified knowledge can be fragile in that they may require interpretation of the context in which it was generated. Thus, personnel who are eliminated in downsizing or who depart combining organizations on their own accord may take with them tacit understandings of how to operate information systems that store codified knowledge, general frames of reference and experience that make the stored data intelligible, and other valuable tacit skills and abilities. Further, when sources of codified knowledge are lacking, codification of these sources from largely tacit sources requires dialogue with the keepers of the tacit knowledge. Since these keepers of tacit knowledge frequently reside at organizational levels much lower than that which is involved in due diligence, a process is required to preserve and develop the sources of knowledge as quickly as possible after the combination is announced. Lacking this, valuable sources of knowledge are likely to depart, and the effects may be realized over many years. In this way, “postmerger drift” (Pritchett, Robinson, & Clarkson, 1997) is sometimes unintentionally extended indefinitely.

## Invisible Work And Dysfunctional Silence

Joyce Fletcher (1995, 1998, 1999) has argued that much of the dialogic, relational work advocated in this chapter is “disappeared” or ignored in organizations which lack the language to notice and value these actions. According to Fletcher, since these behaviors are ignored, those who engage in these actions are either harmed or ignored for doing so, and the organization systematically eliminates these behaviors. From a constructionist perspective, a binary distinction is created which gives voice to results-oriented, individualistic pursuits but silences facilitative, relational efforts.

Fletcher's argument raises a significant concern about the use of dialogic and relational methods. As argued above, the social constructionist perspective suggests that the language we employ significantly determines what becomes real for us. If this is so, and if most organizations ignore or "disappear" relational practice, how are we to develop support for the use of an M&A integration process based on these practices?

Fletcher (1999) recommends four strategies for those who seek to deconstruct the binary described above and create visibility and support for their relational practice. First, Fletcher suggests *naming* the relational behavior in which one engages with language reflecting competence, the identification of outcomes, and articulation of the positive effects of the behavior. Naming the relational aspects of effective M&A integration is one of the objectives of this dissertation. Second, by engaging in *norming* strategies, including questioning and reflecting on the current practices of an organization, attention can be called to existing organizational norms. The focus in this dissertation switches to norming in the presentation of the case study of a recent M&A integration effort for which I was the integration manager. Significant questions are raised regarding the practices evidenced in this case. Third, *negotiating* strategies can help those pressed into relational work for which substandard rewards are expected to negotiate more attractive rewards. Finally, *networking* strategies can help those engaged in relational practice gather social support for their actions.

A stream of research related to Fletcher's focus on invisible work explores the role of dysfunctional silence in organizations. For example, in a longitudinal study of a high technology start-up organization which went bankrupt due in part to a lack of strategic coherency, Perlow (2002) describes the dysfunctional effects of institutionalized silence. When a cycle of silence became institutionalized among the team of entrepreneurs who started the organization, it eventually crumbled due to a lack of consensus about how to address critical strategic factors which were closed to discussion. Perlow suggests that this cycle of silence may be common among many conflict-averse organizations, and that once initiated the cycle may be difficult to interrupt. From a constructionist perspective, dysfunctional silence is seen as the outcome of complacency regarding the need to engage in the cycles of deconstruction and reconstruction advocated by Gergen.

The silence construct sheds light on several elements of the typical M&A process. For example, the due diligence process is typically characterized by silence for all but a handful who are involved in the deal making, legal, or accounting due diligence processes. This silence makes integration planning and buy-in problematic for the larger organization. Also, the integration process is also frequently characterized by a great deal of silence, some of which is prompted by heavy-handed integration approaches initiated by acquirers who adopt the "winner take all" perspective, and some of which is promoted by the rapid rate of change which makes difficult adequate communication about what is occurring. Further, silence is sometimes created among those impacted by M&A who take issue with integration processes, but who doubt that voicing their concerns will make a difference or who are concerned about possible retaliation if they voice their concerns. Required is an integration process that can break these cycles of silence and open communication channels to create the kind of transformative dialogue described above.

## A Social Constructionist Perspective of M&A Integration

In this chapter, the key elements of a social constructionist perspective of M&A integration were proposed. Among these elements is an initial integration strategy—typically developed during due diligence by senior managers and M&A staff members—which reflects the perspectives of a broad coalition of the senior managers responsible for each of the combining organizations and identifies opportunities for SCORE. A second important element of this approach is the presentation of this integration strategy to a critical mass of the whole system of those affected by the combination. Next, the approach requires the engagement of those affected in the social construction of an emergent integration strategy which adapts the initial strategy to their local circumstances, and to knowledge which emerges during integration. The social constructionist approach to M&A integration also requires the coordinative leadership role of an integration manager who facilitates the integration process by contributing project management, relationship building, coaching and teaching, and facilitation of the social construction of the emergent integration strategy.

# Chapter 3: Methods

## *The Grounded Theory Approach*

The primary methodology employed in this dissertation is the grounded theory development process described by Glaser and Strauss (1967) and Strauss and Corbin (1998). The objective of this process is the development of original theory for fields in which existing theory is inadequate. According to Strauss and Corbin, the product of this endeavor should include the identification of both theoretical constructs and an explanatory framework that describes how the constructs are linked.

In this chapter, I begin by summarizing the grounded theory method including the application of this method to this dissertation, the specific methods used in the grounded theory process, and the way in which traditional notions of validity and reliability are handled. Next, I present a timeline for this project which is based on the grounded theory model of open, axial and selective coding. Finally, I comment on my dual role in this project as participant-observer and researcher.

### The Application of Grounded Theory

Glaser and Strauss (1967) describe the practical nature of the theory which is developed through the grounded method by drawing reference to four interrelated properties. First, the theory developed using this method must "fit the substantive area in which it will be used" (p. 237). Since the expectation is that the theory which emerges from this process is grounded through observation and other methods in the day-to-day experience of those it impacts, this is a basic requirement. However, the second requirement is that the theory is understandable by practitioners and other layman familiar with the area of inquiry. Third, although the level of abstraction and the scope, or generalizability, of the theory developed using this approach can vary, the theory must be developed with sufficient generality to be applicable to a number of situations rather than a highly specific area of focus. Finally, the theory must provide an element of control to those who use it.

Applying these criteria to the theory proposed in this dissertation, the first property requires that the theory fit the substantive area of M&A integration. The second property requires that the theory is readily understandable by those who would use it, including practitioners involved in M&A integration. Third, the theory must be generalizable to the diverse settings in which M&A occurs, including for-profit and not-for-profit organizations, publicly- and privately-held companies, and so on. Further, the intended scope of the proposed theory is all M&A situations involving organizations which were previously owned by distinct parties. Specifically excluded from the intended scope are strategic alliances, joint ventures (JVs), and combinations of departments or other organizational entities under common ownership. However, relatively minor variations of the proposed theory may fit these situations. Fourth, the theory must provide an element of control over M&A integration situations; in other words, the theory must enable those involved in these situations to better understand, predict and manage events associated with M&A integration.

## Grounded Theory Methods

At its most basic level, the grounded theory approach involves (a) asking questions, and (b) making comparisons of the answers to these questions. The sections below detail the specific methods used to conduct this process.

### The Constant Comparison Methods

A key feature of the grounded theory approach is the *constant comparison* method. The purpose of this method "is to generate theory more systematically … by using explicit coding and analytic procedures" (Glaser & Strauss, 1967, p. 102) which involve an iterative process of collecting data, creating categories abstracted from the data, comparing these categories with those identified in prior cycles of this method, and continuing the cycle until the resulting theory is deemed adequate. By using this method, theoretical constructs are identified, evaluated and elaborated, and an explanatory model which demonstrates how the constructs are linked is created.

### Emergent Theory-Building Process

Another key feature of the grounded theory approach is that the theory emerges from categories identified through data collection activities rather than from a pre-existing theoretical framework. As noted by Strauss and Corbin (1998), this "task calls for sensitivity to the nuances in data, tolerance for ambiguity, flexibility in design, and a large dose of creativity" (p. 34). Further, the grounded theory approach requires that not only the theoretical constructs but also the design of the theory building process emerge during the research process. Thus, rather than designing and executing an experiment in which carefully controlled variables are manipulated and measured, the grounded theorist selects a general area of inquiry, collects some data, and then uses "that information to decide where and how to go about gathering additional data that will further evolution of the theory" (Strauss & Corbin, 1998, p. 33).

**<u>Theoretical Sampling</u>**

In contrast to the random selection of situations in which data is collected in order to conduct empirical tests of existing theory, the grounded theory approach relies on *theoretical sampling*. As described by Glaser and Strauss (1967):

> Theoretical sampling is the process of data collection for generating theory whereby the analyst jointly collects, codes, and analyzes his data and decides what data to collect next and where to find them, in order to develop his theory as it emerges. This process of data collection is controlled by the emerging theory…. The initial decisions for theoretical collection of data are based only on a general ... perspective and on a general subject or problem area. (p. 45)

Using this approach, subsequent cycles of data collection and comparison are designed and executed based on requirements which emerge in prior cycles. In this way, the constant comparison of emerging theoretical constructs and the model which suggests their interrelationship is pursued so that theoretical comparisons can be developed and evaluated.

**<u>Open, Axial And Selective Coding</u>**

The grounded theory approach employs various methods of coding data obtained through observation, interviews, or other sources. These methods—which include *open*, *axial*, and *selective* coding—provide the grounded theorist the opportunity to abstract theoretical constructs from experience, suggest ways in which the constructs are typically related, and elaborate nuances regarding the dynamics in which they occur. As noted by Strauss and Corbin (1998):

> In open coding, the analyst is concerned with generating categories and their properties and then seeks to determine how categories vary dimensionally. In axial coding, categories are systematically developed and linked with subcategories. However, it is not until the major categories are finally integrated to form a larger theoretical scheme that the research findings take the form of theory. Selective coding is the process of integrating and refining categories. (p. 143)

## Validity and Reliability in Grounded Theory

In their original treatise on grounded theory, Glaser and Strauss noted that most sociological scholarship was focused on theory verification. In contrast, their grounded theory method focused on theory generation. As a result, the appropriateness of traditional "canons of rigor" (Glaser & Strauss, 1967, p. 224) used in the logical positivist approach to theory verification—including validity and reliability—must be reconsidered when developing grounded theory. In this section, the traditional notion of validity is reframed for the grounded theory process as *credibility*, and the traditional notion of reliability is reframed as *objectivity*.

### Validity—Credibility

According to Vogt (1999), a valid research process is one which "accurately measures what it is supposed to measure" (p. 301). In other words, "[v]alidity means … that a theory, model, concept, or category describes reality with a good fit, just as a good map properly describes Earth" (Gummesson, 2000, p. 92). Validity is also closely related to the ability to generalize the findings of a research process (Gummesson, 2000).

Qualitative researchers typically focus more on achieving validity than reliability (Taylor & Bogdan, 1984), since the methods they employ rely on flexible methods which allow the findings to emerge over time and, as such, are “inherently unreliable” (Glaser & Strauss, 1967, p. 224). A key measure of the validity of qualitative research such as the grounded theory method is the *credibility* of the findings, or the degree to which the reader is persuaded that the findings offer insights worthy of their attention for a particular area of inquiry.

Several authors have suggested criteria for establishing the credibility and quality of qualitative research. For example, Rubin and Rubin (1995) suggested three qualities of credible research: Transparency, consistency and communicability. Strauss and Corbin (1998) presented an extensive list of criteria for evaluating the quality of grounded theory including guidelines for sample selection, the empirical grounding of the categories presented, and many others. Glaser and Strauss (1967) offered two criteria for judging credibility. The first concerns the degree to which “a reader become[s] sufficiently caught up in the description … [and] feels vicariously that he was also in the field” (p. 230). The second is based on “the reader’s judgment of … how the researcher came to his conclusions” (p. 230), or the quality and rigor of the methods used to develop conclusions. In this regard, Gummesson (2000) suggested a number of elements of high quality qualitative research including the ability of readers to follow the story presented and draw conclusions similar to those presented in the research; the degree to which the presenter is clear about the theoretical perspective(s) which informed the conclusions; and the degree of access to the research situation achieved by the researcher.

**<u>Reliability□Objectivity</u>**

According to Gummesson (2000):

> The favorite criterion of science … is reliability. Simply put, this means that two or more researchers studying the same phenomenon with similar purposes should reach approximately the same results. A study with high reliability can thus be replicated by others. (p. 91)

As noted above, the emergent approach used in grounded theory development makes it “inherently unreliable” since the iterative process of data collection and analysis employed in grounded theory development influences subsequent steps of the research process. Given this iterative approach, it is highly unlikely that other researchers exposed to the same experiences as I would take the same course in studying the phenomenon of M&A integration. Further, even if other researchers had taken largely the same course, it is likely that they would have stated their conclusions somewhat differently due to different backgrounds and preferences. For these reasons, attempts to replicate the methods and conclusions of a grounded theory development process are likely to be unsuccessful. On the other hand, Strauss and Corbin (1998) suggest that attempts to replicate the findings of a grounded theory may produce “either the same or a very similar theoretical explanation about the phenomenon under investigation” if the attempt to replicate the findings relies on “the same theoretical perspective of the original researcher, … the same general rules for data gathering and analysis, and …a similar set of conditions" (p. 266-267).

Instead of targeting reliability, Strauss and Corbin (1998) recommend a balance between achieving *sensitivity* to the nuances of the data revealed in the grounded theory process and a measure of *objectivity*, which is "necessary to arrive at an impartial and accurate interpretation of events" (p. 42). However, unlike the logical positivist approach, Strauss and Corbin suggest that attaining objectivity does not involve the control of variables, but rather "openness, a willingness to listen and 'give voice' to respondents, … and representing these as accurately as possible." (p. 43). They offer several suggestions for achieving this balance of sensitivity and objectivity including thinking comparatively, obtaining multiple viewpoints of a situation, periodically stepping back to temporarily escape the immersion in data which can occur while developing grounded theory, and maintaining a certain skepticism toward all that is observed or heard.

### *Project Timeline*

In this section, I explain how I used the methods described above to develop the proposed theory of M&A integration. To do so, I present the project timeline for the development of this theory which details how my experience as an M&A integration manager provided much of the observational raw detail which later fueled the theory development process.

In presenting this timeline, I rely on the grounded theory model of open, axial, and selective coding. Using this model, I retrace my steps of identifying theoretical constructs which showed promise for improving the M&A integration process, weaving these constructs into an explanatory frame, and then subjecting iterative cycles of this model to the constant comparative process. However, it should be made clear that the use of this linear model is not meant to suggest that I engaged in a linear, sequential process. Rather, at times many of the strands of this process seemed to overlap and become interwoven, much like strands of DNA. During the course of this project, I continuously sought to make sense of what I had learned, and to maintain perspective about what I was attempting to achieve. Finally, I explain how the constant comparative process was brought to a close, and how the data, theoretical constructs and linkages between those constructs led to the articulation of the theory proposed in this dissertation.

### Stage 1—Participant Observation (February, 1995–March, 1999)

In February, 1995, I joined the organization (which I refer to as *Electrical Manufacturer* to protect the anonymity of those involved) in which most the observation for this dissertation occurred (see Appendix 1 for an overview of the project timeline). I joined *Electrical Manufacturer* as a manager of strategic planning and quickly become involved in a number of M&A projects. For example, one of the first projects in which I was involved was a JV opportunity for which I later become the integration manager. During the period in which I was involved in the JV, *Electrical Manufacturer* continued to pursue acquisition opportunities. One such opportunity was finalized in December, 1997 when a family-owned business was purchased which provided access to a unique market niche in New York City. The division president asked me to take the lead on the integration of this company in addition to my responsibilities with the JV.

I worked with this acquired company for about twelve months, although I began winding down my involvement after about nine months. During this time, we significantly penetrated the target market niche, developed working relationships between the acquired principals and a number of managers from *Electrical Manufacturer*, and established plans for the further integration of the acquired company. However, despite our successes, this project was also characterized by a tremendous amount of conflict in which I was frequently the focal point. Further, as the integration efforts progressed I increasingly became aware that we were failing to optimize the potential of the acquired company, but it was not clear at this time how I could improve our results. In October, 1998, an operations manager from another facility was transferred to the acquired business in order to assist with the integration of information systems and manufacturing approaches more consistent with those of the acquiring organization. After working with him for a short time to assist him in getting up to speed, I transitioned out of my role as the integration manager. By December, my involvement in this project was complete.

When I began a Ph.D. program in organization development (OD) several years later, I faced a dilemma regarding the topic I would study. Given the significant conflicts in which I was embroiled during my tenure as an M&A integration manager, I was quite certain of one thing: I was <u>not</u> interested in studying the M&A integration process. Doing so, it seemed, would invite more of the unpleasantness that I had escaped by getting reassigned out of these responsibilities. However, I recognized the need for OD work in this area, and I felt confident that my experience in this area would be valuable.

During the course of my doctoral studies, I read Spradley's (1980) *Participant Observation* and realized the potential use of my experience as an M&A integration manager as data for a dissertation. However, this possibility presented several problems. First, I had discarded any notes taken during this process, so it seemed that I would have to rely on memory regarding what had occurred. Second, much of the experience seemed like a jumbled, chaotic mess, and I had doubts about my ability to make sense of the experience, let alone identify more effective methods. The pros and cons of this type of professional experience are described by Strauss and Corbin (1998):

> Professional experience is … [a] potential source of sensitivity [to data which can inform the development of theory]. Although it can easily block perception, it also can enable the researcher to move into an area more quickly because he or she does not have to spend time gaining familiarity with surroundings or events. Two things are important to remember. The first is to *always compare what one thinks one sees* to what one sees at the property or dimensional level because this enables the analyst to use experience without putting the experience itself into

> the data. The second is that *it is not the researcher's perspective that matters but rather how participants see events or happenings*…. What helps is that the researcher has a comparative base against which she can measure the range of meanings given by others and a beginning list of properties and dimensions that she can use to gain greater understanding of their explanations. (pp. 47-48, emphasis added)

As suggested above, it became clear that I would have to develop a means of comparing what I thought I had seen during the M&A integration process, and that I would have to develop insights into how others saw these situations. Clearly, if I was to make a contribution in the area of M&A integration, I was going to need help. However, it was also clear that help was close at hand. Having remained at the same company for, at that point, over five years, I had established strong relationships with many colleagues who could provide insights into the M&A integration process, and this access provided me with a significant insider's advantage. As noted by Glaser and Strauss, establishing rapport with potential interviewees can be one of the most challenging elements of developing grounded theory:

> [A] time-consuming aspect of data collection is establishing rapport with the people who are to be interviewed or observed. To establish rapport quickly is, of course, sometimes difficult. Particularly in field studies on one group in depth, the sociologist may spend weeks or even months getting people to allow him to study them at will. (p. 75)

Surrounded by colleagues who were engaged in the day-to-day experience of managing various M&A integration projects, as well as those with whom I had collaborated during the projects I led, I recognized that I had a tremendous advantage over those who would struggle to gain access to this rich pool of data. I had daily access to, and a high level of trust among, a number of people with whom I could compare my experiences and record theirs. Further, I could do so within a range of contexts which included casual conversations, collaborative analyses of data, and formal interviews which I could record, transcribe and feed back to the interviewees.

Thus, I had a dilemma. On the one hand, I had a unique opportunity to do meaningful work in an area in need of significant contributions. On the other hand, I had a distaste for the M&A integration process, and sought a less onerous topic.

### Stage 2—Open and Axial Coding (October, 2000–August, 2002)

The resolution of this dilemma began in October, 2000 when I read Ashkenas and Francis' (2000) *Harvard Business Review* article, "Integration managers: Special leaders for special times." This article convinced me of at least two things. First, I was not alone in my struggle to find more effective M&A integration processes. Even the managers described in this article, who worked for progressive companies which had the vision to assign fully empowered integration managers, had struggled in their roles. Second, there was hope regarding the search for more effective M&A integration processes. The Ashkenas and Francis article pointed to some hopeful elements, and the prospect of finding many more elements began to appear promising. Within a few months after reading this article, I made the commitment to study the M&A integration process and began conducting an extensive literature review.

I quickly began forming tentative ideas regarding actions which could be taken to make the integration process more effective. As I did, I began making a series of presentations to professional and academic groups in which I explored the efficacy and credibility of these tentative ideas. For example, in one of the earliest of these presentations, I experimented with the OD technique *appreciative inquiry* (AI, e.g., Cooperrider & Srivastva, 1987) to explore the group's M&A integration experiences. Given the overwhelming negativity I had experienced in my professional work and also discovered in the M&A literature, this seemed like a risky proposition. However, the results of this inquiry were quite surprising: The overwhelming response from the group was that there was much to appreciate about the process, although the positive elements are frequently overshadowed by the negativity highlighted in the M&A literature and the popular press. Further, I saw that by shifting the frame of reference from the typical focus on negative issues associated with M&A to a more appreciative focus a more hopeful outcome became imaginable. With this, my confidence began to grow about being able to contribute something of value regarding the M&A integration process.

In July, 2001, I drafted an extensive review of the existing literature on M&A integration and related topics. While the grounded theorist specifically avoids a rigid adherence to any particular theoretical perspective, knowledge of relevant literature can be helpful:

> Literature can be used as an analytic tool if we are careful to think about it in theoretical terms. Used in this way, the literature can

> provide a rich source of events to stimulate thinking about properties and for asking conceptual questions. It can furnish initial ideas to be used for theoretical sampling…. (Strauss & Corbin, 1998, p. 47)

As I went through the iterative process of making observations, attempting to perform open coding to identify theoretical constructs, and so on, I continuously attempted to increase my sensitivity to the data and unfolding theory. As described by Strauss & Corbin (1998):

> Having sensitivity means having insight into, and being able to give meaning to, the events and happenings in data. It means being able to see beneath the obvious to discover the new. This quality of the researcher occurs as he or she works with data, making comparisons, asking questions, and going out and collecting more data. Through these alternating processes of data collection and analysis, meanings that often are illusive at first become clearer. Immersion in the analysis leads to those sudden insights, "aha" experiences so familiar to those of us who do qualitative research. (p. 46-47)

At this point, I was frequently feeling lost in an ocean of M&A literature, doctoral coursework, and a kaleidoscope of potential ideas for a dissertation. Through this fog, two themes recurred. First, I was interested in exploring the role of the M&A integration manager, and began employing the framework of the *boundary spanning manager* as a means of understanding how M&A integration managers work. In this vein, I conducted a detailed review of the literature on boundary spanning managers and a series of interviews which revealed a number of key roles played by these managers (Bahde, 2002). Second, I was interested in the overall M&A integration process, and saw potential in exploring this process from the theoretical lenses of structuration theory (e.g., Giddens, 1979, 1984) and social constructionism (e.g., Gergen, 1994a). I attempted to pull these themes together in February, 2002 with the first draft of a dissertation proposal, and it became clear that my focus was too broad.

In a series of conversations which followed the first draft of my dissertation proposal, it became clear that the best opportunity was to develop a social constructionist perspective of the overall M&A integration process. Although this choice seem to imply that I would abandon a more detailed exploration of the M&A integration manager's role, I felt satisfied that I had accomplished enough in this vein (Bahde, 2002).

In retrospect, I now see that I was engaged in the development of grounded theory while all this was occurring. As noted by Strauss and Corbin (1998):

> Although the initial question starts out broadly, it becomes progressively narrowed and more focused during the research process as concepts and their relationships are discovered. So, the research question begins as an open and broad one, but not so open, of course, as to allow for the entire universe of possibilities. On the other hand, it is not so narrow and focused that it excludes discovery…. The research question in a qualitative study is a statement that identifies the phenomenon to be studied. It tells the readers what the researcher specifically wants to know about this subject. (p. 41)

Further, I began to reframe my activities as part of the open and axial coding process. Specifically, I began to see that I was using my experience as an M&A integration manager, informed by the M&A literature and conversations with colleagues, to develop and refine research questions around the broad theme of developing more effective approaches of M&A integration. Along these lines, Strauss and Corbin (1998) describe axial coding as:

> the process of reassembling data that were fractured during open coding. In axial coding, categories are related to their subcategories to form more precise and complete explanations about phenomena. Although axial coding differs in purpose from open coding, these are not necessarily sequential analytic steps…. (p. 124)

By reflecting on my experience, reading the literature and engaging in discussions with colleagues, that is precisely what I was doing. As noted above, open and axial coding were not conducted as discrete, linear steps, but in an iterative manner as I identified and explored ideas which suggested promise. During the early months of 2002, I began to transition out of a mode of primarily doing open and axial coding and moved into the final phase of more selective coding and theory development. Again, there is no clear boundary between these stages and evidence of each process could be cited in each of the three stages.

### Stage 3—Selective Coding and Theory Development (March, 2002–October, 2002)

Strauss and Corbin (1998) describe selective coding as "[t]he process of integrating and refining the theory" (p. 143). As I moved into the final stage of the theory development process, I became increasingly focused on these processes. For example, I used theoretical sampling to select individuals who could help me refine and provide credibility for my emerging theory of M&A integration. Specifically, I focused my efforts on individuals who had been meaningfully engaged in at least one M&A integration process. To do so, and to make efficient use of the time spent with these individuals, I conducted interviews (Rubin & Rubin, 1995) with thirty individuals using the questions shown in Appendix 2 as a basis for our conversations.

I sought to maximize the advantages of both depth and breadth of perspectives by selecting a sample of fifteen individuals who are or have been employed by *Electrical Manufacturer*, and fifteen from a variety of other organizations. A summary of the thirty interviewees is provided in Table 1. As noted by Glaser and Strauss (1967), a homogenous group, such as the group of *Electrical Manufacturer* managers, provides the advantage of increased sensitivity to emerging theoretical constructs. However, adding diversity can provide useful perspectives on the collected data, as well as increased generalizability of the results.

Interviews were conducted either in person or by telephone and were recorded and transcribed in Microsoft Word tables to facilitate the coding process. When I exceeded the memory capacity of Word tables by attempting to load all the interview data into one file, I converted the dataset to Microsoft Excel. In Excel, I used one column for the comments of the interviewer and interviewee, and additional columns for the coding I performed. As such, this is a electronic version of the method suggested by Glaser and Strauss (1967, p. 106). Each of the transcripts was coded for constructs which had been targeted in the interview questions, as well as new constructs which emerged in this stage of data collection.

**Table 1. Interviewees**

| **Title** | **Industry** | **Part Of At Least One:<br>1. Acquiring Organization<br>2. Acquired Organization<br>3. Merger of Equals** |
|---|---|---|
| President (2) | Manufacturing | 1 & 2 |
| VP, Finance (2) | Manufacturing | 1 & 2 |
| VP, General Manager | Manufacturing | 1 |
| VP, Human Resources | Manufacturing | 1 & 2 |
| VP, Marketing (2) | Manufacturing | 2 |
| VP, Operations (2) | Manufacturing | 1 & 2 |
| VP, Sales | Manufacturing | 1 |
| Vice President | Publishing | 1 & 2 |
| Director, Customer Service (2) | Manufacturing & Health Care | 1 & 3 |
| Director, Engineering | Telecommunications | 1 |
| Director, Human Resources | Manufacturing | 2 |
| Director, Leadership | Public Utility | 2 |
| Director, Operations | Manufacturing | 2 |
| Director, Sourcing | Healthcare | 1 & 3 |
| Director, TQM | Oil | 2 |
| Manager, Customer Service | Manufacturing | 1 & 2 |
| Manager, Marketing | Manufacturing | 1 |
| Acquired Principal (4) | Manufacturing | 2 |
| Consultant (3) | Various | 1, 2 & 3 |
| Managing Director, Private Equity Firm | Various | 1 & 2 |

The criterion for bringing a grounded theory effort to a close is *theoretical saturation* (Glaser & Strauss, 1967). With the interviews completed, transcribed, and coded, I was definitely feeling saturated and I began a series of steps to make sense of the large amount of data I had collected. I began my data-reduction efforts by grouping the coded constructs described above into thirteen superordinate categories. Next I wrote brief summaries of each of the individual categories using quotations from interviewees to illustrate the construct. I then developed a prescribed integrative action for each of the coded constructs. For example, for the construct *ambiguity*, I developed the following integrative action: *Resolve ambiguity as quickly as possible, even if this means experimenting with processes which may have to be changed in the future. Involve those who are affected by the changes in creating these processes*. Finally, in order to simplify the presentation of the data and to move toward the development of an integration process that would address many of the challenges the interviewees described, I initially identified nine key themes which were intended to summarize the data. However, upon further review of this work, it became apparent that a full presentation of the breadth and diversity of viewpoints expressed in the interviews was beyond the scope of a single dissertation, and I performed a final step of summarization which resulted in the five themes presented in the following chapter. Further details regarding the process of data analysis and reduction described above are available from the author.

### *My Dual Role as Participant-Observer and Researcher*

My role as participant-observer in the primary research setting described in this dissertation creates a strong case for many of the elements of credibility described above such as obtaining access to the actual process of M&A integration, developing sensitivity to the subtle nuances of the data, and so on. However, my immersion in the data also presented the challenge of maintaining objectivity. I addressed this challenge in a number of ways. First, as described above, I interviewed equal numbers of *Electrical Manufacturer* insiders and outsiders in order to establish multiple views of the M&A integration process. Second, I engaged in lengthy and in-depth discussions of tentative findings and hypotheses with both professional and academic colleagues during the theory development process. During these discussions, I invited colleagues to critique my developing theory with an attitude of skepticism. Third, I carefully documented the categories which emerged from the interviews and supported the development of the categories using the interviewees' words; in some cases, *in vivo codes* (Strauss & Corbin, 1998) were established by developing category names using the precise language provided by interviewees. Using these methods, and following the guidelines established by Strauss and Corbin, I sought to maintain a balance between sensitivity and objectivity to the data.

In presenting the results of this inquiry, I have extensively employed a discursive approach to theory development. For example, in the case study presented in Chapter 5, I rely extensively on the dialogue which occurred between the two principals for the acquired company for which I was the integration manager. This approach is intended to provide insight into the data which informed the development of the grounded theory proposed in this dissertation. Rubin and Rubin (1995) note that:

> Some reports, in an effort to sound scientific and unbiased, eliminate the voice of the researcher and try to present the material clinically. But a good qualitative interview is often the product of the interaction of interviewer and interviewee. If the voice of the interviewer drops out of the report completely, the writing misrepresents how the work was done. If the interviews were deeply interactional, with the parties exploring ideas together and coming to a joint conclusion, then the researcher's voice and role should be apparent in the report. (p. 268)

Following Rubin and Rubin's suggestion, in the results presented below I have used the dialogic approach extensively to describe the circumstances of my primary setting for participant observation for two reasons. First, from a practical perspective, many of the comments presented by interviewees occurred during the course of dialogue and would make little sense out of context. Thus, in order to present this data, I had to choose between elaborately describing in my words the context in which certain comments were made, or simply presenting the context in its entirety. I largely took the latter approach. Second, from a theoretical perspective, this discursive approach is consistent with the social constructionist framework which underlies the theory proposed in this dissertation. As argued below, it is critical for effective M&A integration that those involved engage in candid dialogue in order to socially construct a relevant and productive integration strategy and integration process. In the same vein, the dialogic results presented below reveal the efforts made by the two principals and me to make sense of what occurred during our efforts at M&A integration, and to develop processes that are more effective.

# Chapter 4: Typical Integration Process Shortcomings

## *Introduction*

The results of this dissertation are presented in three sections. First, a brief summary of the overall results provides an overview of the findings of the grounded theory development process. Next, five key themes developed from this grounded theory process illustrate shortcomings of the typical integration process. These five themes suggest the need for the social constructionist approach and the contributions made by the relational perspective. Finally, in the following chapter a case study is presented which illustrates each of these themes.

## *Summary of Overall Results*

The thirty interviews produced 624 pages of single-spaced text and over fifteen thousand lines of dialogical exchanges (e.g., “How are you?” and “Fine, thanks” were counted as two dialogical exchanges). From this data, a total of 199 individual categories were identified and initially grouped into thirteen superordinate categories (shown in Appendix 3).

As noted in Chapter 3, as data reduction and analysis progressed it became apparent that a full presentation of the breadth and diversity of viewpoints expressed in the interviews was beyond the scope of a single dissertation. As such, the five themes presented in the following section were identified to suggest the need for the social constructionist approach to M&A integration strategy development and execution. Many of the individual constructs presented in Appendix 3 appear in this and the following chapter, but no attempt has been made to highlight these appearances. Further, although some attempt has been made to present the five themes as distinct constructs, it should be clear that each theme is interrelated with the others.

## *Key Challenges in M&A Integration*

### Poorly Articulated, Impractical Integration Strategy

The first of the five themes reflects the frequency with which a poorly articulated, impractical integration strategy is developed. Although a positive vision of the combined organization is typically developed by the initiators of the combination, this vision is less frequently articulated as a carefully crafted integration strategy which accounts for many of the detailed, local situations in which the strategy will be implemented. When this occurs, those who become involved in the integration process lack an overall storyline regarding what is sought through the combination, an understanding of which factors are important versus unimportant, and a clear sense of priority regarding the actions they should take.

The quality of integration strategy development prior to the announcement suffers due to several factors. The first factor is the focus on primarily financial and legal issues during due diligence and the frequent exclusion from this process of a cross-functional approach. As noted above, this is one example of the dysfunctional silence which characterizes ineffective M&A integration. As a vice president of finance with extensive due diligence experience explained,

> in identifying the potential companies you're going to acquire, there tends to be a number of people in management involved in identifying if it's a brand or a product line you're interested in … or whatever the variables are. But at some point it pretty much becomes a legal and a financial exercise, … so that the finance people tend to be the first ones to get intimately involved with the organizations, meet the management teams, visit the operation, … get to know people and have a first impression on where the opportunities are.

When finance (and legal) personnel take the lead on M&A efforts, other voices and perspectives are silenced and the burden rests of those involved to communicate "where the opportunities are" to their colleagues. However, an issue related to the predominance of financial and legal perspectives during due diligence is the perceived need for strict confidentiality which precludes involvement of many members of the combining organization who could otherwise contribute to the development of integration strategy. As noted by the vice president of finance quoted above,

> typically you've got concerns [about disclosure]. You've probably signed some legal documents … assuring that you're not going to expose the information, so … the more people you have involved, the more you're putting yourself at risk in that regard.

This vice president of finance also notes that acquirees are sometimes reluctant to involve large groups in due diligence:

> The … acquiree … [also] tends to be a little skeptical. He doesn't want to get panic through his organization in case things were to fall through, so … they don't want to see an army of people coming

> through before this has been announced…. You tend to be limited to a fairly select few people that you can even talk to.

Further, as a vice president and general manager with extensive due diligence experience points out, acquirees may be concerned about efforts to "pilfer" employees if the deal is not consummated:

> The acquired company is going to be concerned about having a lot of people walk through their facility to interview their management team because they're worried about disclosure, [and] they're worried about possibly pilfering their employees. That's a big concern in acquisitions is that you go and you interview someone at that target company, and you really like … [them, and then] you go back and hire them two months later because you've developed a relationship there.

As a result of these concerns, the critical due diligence process—which could represent a key opportunity for integration planning—is typically conducted in a vacuum by finance and legal personnel. These individuals typically lack the broad perspectives required to plan integration strategies involving the myriad other functions impacted by most combinations, and they are typically prevented from speaking with others due to confidentiality concerns.

A second factor which contributes to the development of a poorly articulated, impractical integration strategy prior to the announcement is the frequency of cursory due diligence processes and the resultant ignorance regarding what is purchased (Duhaime & Schwenk, 1985). As a vice president of finance explained, the due diligence process

> usually moves pretty quickly and … probably … a little more superficially than people realize. To really do a downtown job … on a large company would take a tremendous amount of time and … everyone's in a hurry, … so you wind up making sure things don't look way off the wall, but never getting into quite as much detail as you wish you would have later on…. That aspect of it usually moves pretty quickly, certainly less then 30 days, sometimes a matter of a week or two, and usually there's pressure to move quickly because by that point in time people are getting anxious to make things happen, … and when you get into that [aspect of] due diligence it's like everyone's waiting to get the blessing of the finance and the legal people and the like, so their usually is a fair amount of pressure to move kinda quickly on that phase.

As explained by the vice president and general manager quoted above, investment bankers intentionally accelerate the due diligence process:

> [A] lot of times these are auctions. You learn about them, you have to bid in two weeks, you have to make a decision two weeks after that and close the deal within three months…. That's the way brokers or investment bankers work. They crunch these things down so the acquirers don't have a lot of time to stew on the details…. If I were an investment banker, I'd do the same thing.

When the due diligence process is rushed, acquiring companies may complete deals before developing a full appreciation of what they have purchased. For example, a division president speculated that the corporate managers who created through M&A the division which he eventually led may not have fully appreciated what they had purchased until some time after the deals which created his division had closed:

> I don't believe [the acquiring company] understood what they had purchased when they purchased [another very large, publicly traded company]. Now, do I understand that they were trying to quote, 'be a bigger company,' and they thought that the companies within [the acquired company] would fit the portfolio of their [other products]?… But … it's my belief … that they didn't really appreciate the value or

> understand [our division's] business until they bought the [acquired] line…. I truly believe that … the [acquiring company] did not understand what they had purchased, and that's why it took them over a year to figure out really what they wanted to do with … [this] group.

Obviously, it is very difficult to develop a credible, practical integration strategy when this level of ignorance regarding what is purchased exists. However, this scenario is quite common, as noted by the vice president and general manager quoted above:

> I think a … plan's too often bought off on as a two sentence explanation … [of] the benefits of an acquisition that we're gonna do. 'We're going to close this plant and we're going to integrate our marketing group.' That could be as detailed as the … integration plan goes.

In addition to leaving strategic questions unanswered, inadequate due diligence can also lead to serious challenges regarding day-to-day business functions. A vice president of sales recalled such a situation:

> [W]hen you go on these acquisitions I don't know what's on your checklist, but one of the reasons why I had to get real close to [a recent acquisition] is we bought the company, [but] they actually had no [product] literature. Nothing. They had ten catalogs, so … we're like, "Oh, great, we bought this company, now we gotta go launch it, with what?" [laughs] There was nothing.

For all of the reasons presented above, dysfunctional silence permeates the pre-announcement, due diligence process. However, a third factor which contributes to the development of poorly articulated, impractical integration strategy prior to the announcement is the likelihood that M&A is a relatively unique event for many of those involved. As a result, the chosen few who are pressed into due diligence activities and forced to make quick decisions based on incomplete information are dealing with a situation with which they are unfamiliar, and for which they may lack required skills. A management consultant with extensive M&A experience explained that

> most first time parties to the process have no clue that any kind of integration effort is needed. They assume that some kind of financial transaction is going to occur, and that business is will continue as usual. That is <u>never</u> the case [laughs]…. For the buyer, who's [typically] been down this road before, he is the person with experience. For the seller, generally it's once in a lifetime, and they have no idea what they're getting into. Now, obviously either party can go to a consultant who has been party to these kinds of processes, has seen the good, the bad and the ugly, and … get some help. That's why, in part, we exist, to provide that kind of help. But, too often people become overly fascinated with the company and its book of business rather than thinking through what it's going to take to make this a long run, healthy place.

Finally, in addition to all the other factors described above, inadequate integration strategy development prior to the announcement may be the result of intentional duplicity on the part of both the acquirer and acquiree who collaborate to maintain silence about the need for an integration strategy. The management consultant continued:

> I think there is actually willful mischief on both parties' part to pretend that [a clear delineation of what is the expected during integration] is not necessary. Consequently, obviously, we don't have to talk about it, when the reality is that it is necessary and while the seller may be a virgin, the buyer generally is not and ought to know better. I think the buyer is not drawing any attention to the integration process because it's not helpful to his seduction of the target. He is saying, "The less we talk about the, oh, the changes in the authority level, the less we

> talk about the redundant personnel who may be let go, the less we talk about some kind of imposed territory for business development purposes, the better. We can just talk about how much money you are going to get, Mr. Seller. And things are not really going to change all that much and won't this be fun?" … The entire focus, too much focus, is on the deal, the deal, the deal, rather than on the ongoing subsequent operations.

A vice president of finance made a similar observation:

> We've had a tendency—maybe it was a concern not to scotch the deal or just to keep it moving—to kind of be a little general in terms of assuring people that it's going to be business as usual, or "Yes, you're still going to have a key role," some nice, broad, general statements that then, once the deal is done, … at times they can become inhibiters or at least slow the process down in generating the change because they have a set of expectations and now you're coming in potentially changing those expectations which is going to create some conflict. They might feel like they've been lied to, or at least misled.

Despite each of these factors, integration planning could begin as soon as the combination is finalized. However, in many cases the shortcomings of integration strategy development continue after the deal is finalized. For example, a vice president of operations explained that after a large conglomerate acquired his company

> there was no strategy going in, and I'd have to say to this date there's still no strategy…. I think that without a strategy it's not clear what direction we're going in any functional area or even as a business, and I believe that our customers are confused. I think our distribution partners are confused. I think our sales team is confused. Our customer service group is confused. And some days, [laughs] I think senior level management at the business unit level is confused…. [laughs] Personally, I've … felt a fair amount of frustration because of all the things I've been describing. Basically, I'm an engineer by training and I tend to think logically, and the whole idea … of developing a strategy and a plan and then implementing it to a step-by-step process

> [laughs] would be the way I would do it. And it’s just amazing to me that we don’t have any of that….

At times, the acquirer’s ignorance about what they have purchased may delay integration strategy development. The managing director of a private equity firm explained the challenge he faced when he purchased a company in an industry with which he was unfamiliar:

> With the [most recent acquisition], it took us a good six to twelve months to figure out what makes a successful … company [in that industry] and then to build the goals and objectives around what makes a successful company. And I think a lot of merger and acquisition failures are the fact that people don’t take time to figure out what makes that business tick and they put in a flawed performance measurement system and … it just diverges from what makes a company successful.

In other cases, financial goals are developed at the senior levels of acquiring organizations but are inadequately communicated to operations personnel. The vice president of operations quoted above explained:

> I don’t think there were any goals communicated. The … guy that … ended up taking over the reins told me at one point—and I don’t know that he told anybody else [laughs]—… that he had promised his boss that he would have all of these newly acquired businesses at twenty five percent pretax margin within three years.

In still other cases, little attention is paid to integration strategy at any stage, and the acquired business is simply ignored. A director of customer service explained that a recent acquisition of his company

> was just kind of left out there to hang…. I don’t think that most of the

> people that I was involved with in the integration knew what their role was. I don't think they knew how much authority they had. You … go out there, [and] we're talking [about] best practices, but do I have the authority to tell somebody they need to do this? That it's wrong? Or who do I report back to even to say what was wrong?… I felt like it was more of a survival mode…, and then someday later we'll figure out how to make them profitable and part of [the acquiring company].

Similarly, a vice president of operations noted that the acquirer of his company intentionally avoided developing an integration plan. Instead, they offered "guidelines" and "philosophies" which could be interpreted in various ways by operations personnel in the acquired company:

> First of all, there was no … plan whatsoever. No acquisition plan, no integration plan. And that's just not my perception, … admittedly there was no plan [laughs]. [Integration efforts] were nonexistent in … our process. [A] part of … [the acquirer's] culture is that they don't have procedures and policies. They just offer guidelines.

Assuming that an integration strategy is developed either during due diligence or after the deal is finalized, the credibility of the strategy can suffer if it is based on unrealistic expectations. The managing director of the private equity firm explained this point:

> [T]he deal has to be right. Boy, if you build … your deal on unrealistic expectations, you're doomed to failure no matter what. And I'm sure you've seen it…. You come up with these unrealistic expectations, and pretty soon everybody's bought into it and … you come into … the acquisition already behind. And not only do you have pressure on that leader … that's been pegged to lead the … transition, but that person's putting unrealistic pressure on whatever's left of the team that you acquired. And … I think it's done … before it's even started.

In summary, the first of the five themes presented in this section points to the frequency of a poorly articulated, impractical integration strategy. The typical focus during due diligence on financial and legal issues inhibits the development of a clear, practical integration strategy prior to the announcement, and several other factors conspire to inhibit the development of strategy as the integration process progresses. When a well articulated, practical integration strategy is not developed, those involved are charged with quickly initiating integrative actions without an overall game plan that spells out what is sought through the combination.

In addition to facing the integration process without a clear integration strategy, many of those who become involved in integration also lack a holistic understanding of the overall integration process. This topic is the focus of the second theme.

### Fragmented Understanding of the Overall Integration Process

The second theme reflects the typical situation in which a fragmented understanding of the overall integration process exists among many of those who are involved in integration. When due diligence is conducted, as is typical, in secret by a small group, a key challenge at the time of the announcement of the combination is to quickly create a holistic understanding of what the combination means to those affected by it. When this does not occur, those involved in integration typically work to maximize performance in their local area of responsibility. Using the language presented in the literature review chapter, a primarily individualistic identity is preserved among members of the combining organization, and the benefits of a more relational sense of identity, relational responsibility and relational coordination are foregone. When this occurs, the processes of fragmentation and divisiveness frequently gather momentum and may become difficult to interrupt.

The process of fragmentation begins with the typical due diligence process. As noted above, due diligence is typically conducted primarily by representatives of financial and legal functions. As such, the operations personnel typically charged with executing integration frequently have little or no knowledge of the organization with which they are combining or how the integration process will affect the overall organization. A director of customer service explained the typical scenario:

> I would say very seldom have I actually been in the very front end of an integration… I'm usually pulled in at some point, whether it was [for] training and development or actually in … quotations [and] customer service. I can't really remember ever being in the front end of an integration. I'm not even sure who's in the front end.

When a combination is announced, many of those who will become involved in integration lack an understanding of the other organization, including its structure, products or services, size, culture, and so on. Further, many who become involved in integration have questions regarding the potential for significant changes as a result of the combination. For example, a consultant who left a company shortly after it was acquired by a large conglomerate noted that silence regarding the expected pace of the integration process created uneasiness among those affected.

> I don't necessarily think that the pace [of integration] makes a difference if the organization would be up front about what the pace is

> going to be. If they say it's going to take a long time, then manage employee expectations appropriately. If you want to do it fast, then tell the employees that. But the fact that there was just silence was, I think, a key mistake…. [T]here was nothing being spoken, and so when changes would happen, they would just kind of like just come out of the blue. And … then … something would occur, and sometimes not even a formal announcement … [was] made, … [such as] if a certain part of the organization was being reorganized … [and] there was no warning that that was happening. So, when it does happen, employees would become shocked, angry, upset, and so then that just sets up all the feelings of suspicion.

A second area in which those affected by a combination may have a fragmented understanding is in regard to how the integration process will affect functions or areas others than theirs. As a vice president of operations explained, failing to clarify roles and responsibilities for the integration process:

> leaves the people who are assigned responsibility for the acquiring company in silos as to their responsibility during the integration process. It leaves the [acquired] principals in a situation … where it's difficult for them to fully understand what their role is in the integration process, … and so basically it's kind of a, 'Yes, we bought this company, but they're just out there running the way they've always run, and no one really understands the entire strategy.' We might understand why we own the company, either what market it took us to, or what product niche it took us into, but relative to operating that company going forward, the sales strategy was in a silo, the manufacturing strategy usually came late and was in a silo, etcetera, etcetera, on down the line. So, it slows the process down, it makes it confusing, and, I think, frustrating … for all of the people involved who have roles and responsibilities to make the …deal a success.

Silos such as this can create divisive conflict among those who need to collaborate to make the integration effort successful. For example, a director of engineering explained how fragmented perspectives led to conflict in a recent combination in which he was involved.

> A lot of the conflicts I … remember were divisive because they were communication problems between the layers of the organization. It kind of goes back to the top and bottom not being connected. Here we are sitting [at the corporate headquarters], assuming things are going on, and then we go to California to find out none of it is going on, so that leads to a whole bunch of conflict, right? And it's simply a misalignment of goals and a misalignment of values in many cases.

Silos can also create unrealistic demands on some whose roles are integral to the integration process. For example, a director of operations explained how the controller of her operation became "schizophrenic" due to multiple, competing demands that stemmed from a lack of clear priorities.

> What happens is there is a lot of confusion and a lot of times … your accounting group or your IT group end up getting pulled every which direction because they're trying to satisfy the demands they have, but they can't possibly [do that] with all their other day-to-day activities…. So, … our division controller is pretty much schizophrenic and there's no way he can get everything done they need to get done. It's not possible. It's just physically not possible, and my boss is running interference, and it's pretty much whoever gets to him first gets what they want.

When the integration process is fragmented as described above, there may also be little opportunity to build strong relationships with counterparts from the combining organization or develop common ground about integration priorities and approaches. A vice president of operations explained the challenge he has faced in recent integration efforts:

> [W]hen you take the *laissez faire* approach or allow the [acquired]

> principals to run on and on … without requiring or developing a strategy to integrate them, … the message we send to the principals [is], "you know how to do this better than we do." So then, … when a problem does arise [such as], "Why are those inventories so high? Why is that factory throwing off xyz of negative labor variances?" the [acquired] principals, … because they … don't have the operating systems and knowledge to understand all of that, don't know. Then the company turns to … the acquiring company's executives to say, "What's goin' on there? Go fix it." And now, you don't have the relationships, the connections, the ability to go in, other than in an adversarial way, and say, "Let me show you how to run your company." And it's a very difficult process.

When fragmentation leads to divisive conflict, as in the case above, it may also lead to top management turnover involving individuals who might otherwise have made positive contributions to the integration process. When this occurs, as noted in the literature review chapter, valuable sources of tacit knowledge may be destroyed. A director of customer service explained how such a "personality conflict" had this effect.

> I think it was a personality conflict that caused us to act in probably not the best interest of the company…. There was one individual who was really kinda [pause] not well received. I don't know if anybody took the time to try and understand what this person was saying, and we ended up … disengaging him. And, probably came to find out that he was really … the guy who had the smarts behind the operation.

In contrast, a fragmented approach may lead to other personnel changes such as the voluntary departure of key individuals who fail to adapt to the combination process. The vice president of a publishing firm explained:

> [T]here were no … formal processes for getting people connected…. [T]here was a lot of people … relocating, and that was tough, and I think within a year two … out of four relocated back and within

> another year I think two more, one quit and one moved back, so really half of those folks [laughs] disappeared.

Fragmentation and divisive conflict can also lead to the development of an us versus them mentality which perpetuates and extends the fragmentation and prevents effective integration from occurring, sometimes permanently. From a constructionist perspective, this reflects “the simple binary of us vs. them, [in which] other voices and issues are ignored, and there is a slow move to mutual annihilation” (Gergen, 1999, p. 206). A director of sourcing explained how this mentality affected a combination process in which she was involved.

> [T]here were times where … the boundaries [between combining organizations] weren’t loosened and there were major clashes…. [T]here was essentially an alignment on sides, and people were defined by … the company they came from, and that was their stigma … for their time at that company…. [T]here were sub-groups that were automatically made, [and] there were opinions that were formed … depending on … what side you came from. And your friends tended to be the people who came from the same side that you did. That was your sub-group.

Similarly, a director of customer service from the same company explained that subgroups in a combination effort in which she was involved were named with acronyms indicating each person’s pre-combination identity. This naming convention illustrates the social constructionist notion that the language we employ has significant implications for the realities we construct. For example, in the circumstance described below, clashes and division were likely perpetuated as a result of the us versus them descriptive acronyms.

> In the mega-merger, as we called it, there were definitely clashes. So much so that each side got labeled “PMA,” “PMB,” pre-merger-[company A], pre-merger-[company B]. And I didn’t understand what those labels were, walking into one of the rooms one time, and I got so frustrated by the end of this facilitated session that … [laughs] I remember one person … saying, “Oh, you must have PMS,” so we added a third one.

Similarly, a vice president of human resources remembered a concerted effort to sustain silence, fragmentation and divisiveness when the company he was with was acquired.

> [My company] gets acquired by [a large conglomerate]. It is a “partner of equals,” so they say. We quickly see that our chairman has been given an office and told not to come out of it …, and we’ll name a building after you someday…. Meanwhile, their … chairman, … is flying across the country, hobnobbing, getting all the headlines…, and their people are walking around [saying], “We fuckin’ picked them over,” and we spent a good couple years going, “Don’t tell them anything. Fuck ‘em.”

Clearly, this kind of divisive language is antithetical to successful integration efforts. However, a fragmented integration approach may also inhibit opportunities for those who must collaborate to develop a common language, which might be used to understand the situations they must face together or to further the integration effort. A vice president of a publishing firm who has been involved in multiple M&A events on both the acquiring and acquired sides had this to say about the challenges created by the lack of a common language:

> I think the tricky part was there was enough similarity in our businesses that we were making some assumptions about what each of us meant when we said something. So we weren’t so different as businesses that we really were attending to that… [and] there were

> places where [laughs] we would assume they meant something and they meant something else, … anything from how we referred to our sales channels to how we talked about our product types…. I remember conversations where we stopped and said, “Well, when you say this, what do you mean?”

Fortunately, in this case the groups involved engaged in dialogue to resolve language differences and constructed a common way of seeing things. Similarly, a director of customer service explained the realization she came to regarding the need for a common language when she attempted to document the minutes of a meeting conducted during an integration process:

> I went to type up the notes for this meeting, and my secretary came in at the time and said, “There is no way I can type this up, because every other word is a three-letter report and I have no idea what you’re talking about.” So we had to come up with the definitions, literally, a glossary to be able to articulate what the heck we were talking about on the territory analysis report [i.e., TAR], sales analysis report [i.e., SAR], and on the [other company’s] side it was the .. PLAs, product line analysis report, and it … was just unbelievable.

In contrast to these positive cases, some use specialized language to perpetuate division between groups brought together through M&A. For example, a vice president of human resources who once worked for an acquired baked goods company told how they used specialized, coded language to create barriers to communication and keep acquiring personnel in the outgroup:

> We spoke our own language at the cookie company. We had terminology, we had acronyms … that … were very much only to our business. We enjoyed that very much ‘cause it kept … [acquiring personnel] out. And it kept a false sense that only cookie people could ever run the cookie business…. [T]he biggest thing that we did, we talked in codes. A [certain brand], we never called it [by its brand

> name]. It was a 154. Or [another brand], it was a 70, 71. So we could sit in a room, and we could talk like this in front of them and they had no idea what product I was even talking about…. You had to work in the cookie industry … for quite a long time before you found out what all this stuff was.

Also, a vice president of marketing described the slow, evolutionary process he endured to build relationships with members of the acquiring organization who would help him learn the acquirer's language:

> [S]peaking of things like common languages, … learning COPS [i.e., customer order processing system] … and [the manufacturing system] and all the systems things.… [N]obody ever sat down and told us what all those things were, or how to do them, or what they meant or what they were for…. [I]t was such a … self-learning process…. [T]he first meeting you were in, you have no idea what they were talking about. And then … you would have to leave the meeting, and … start asking people, "Oh, by the way, I didn't want to ask you at the meeting because I felt kind of stupid, but what the hell is COPS?" [laughs]

As may be clear, a fragmented integration approach may also inhibit motivation for the integration process and the momentum critical to making progress. For example, a vice president of operations explained how the lack of a clear integration plan created the sense that the actions taken by the general manager responsible for managing the integration process were regarded as "the flavor of the month."

> I think it's … very difficult to gain the trust because a lot of this stuff is perceived to be, 'Well this is just how [the general manager] wants it now, and this is the flavor of the month' kind of a thing. There's some inherit inconsistencies, and it makes it difficult to back up against anything real solid. And that therefore makes it difficult to explain and communicate why things are the way they are, or why decisions are made [laughs], when they are made, and a lot of times decisions [aren't] made very soundly or very … conclusively.

As this section shows, the second theme reflects the frequency of a fragmented understanding of the overall integration process among many of those involved. Once again, the roots of this problem are in the fragmented approach to due diligence which typical excludes consideration of broad, cross-functional issues, but the fragmentation of perspectives and the divisiveness that frequently results is fueled by several other factors. Many of these factors are cogently described by the social constructionist perspective on the need for a common language among combining personnel.

When those attempting integration begin without a clear integration strategy or a holistic understanding of the overall process, they clearly face significant handicaps. However, they may also face a great of ambiguity and a diffuse focus regarding the goals of integration and where they might best focus their efforts. The third theme explores these challenges.

## Ambiguity and Diffuse Foci

The third of the five themes reflects the ambiguity and diffuse foci that characterize many M&A integration efforts. As noted above, although a positive vision of the combined organization is typically developed by the initiators of the combination process, this vision is infrequently articulated among those charged with execution of the integration process. This leaves many of those affected by the integration process facing a great deal of ambiguity about what is sought through integration, and makes it difficult to focus on actions which might further integration (Duhaime & Schwenk, 1985). From a constructionist perspective, those involved in integration are much like the travelers of space and Kansas who see the world differently and, as a result, act in ways that lack coherence for each other. However, combination efforts are complicated by the typical presence of not just two antithetical positions as held by the travelers described above, but a myriad of perspectives which reflect the local outlooks of a wide variety of people.

This ambiguity and lack of focus have several kinds of impacts. For example, as explained by a consultant with experience in several large integration efforts, ambiguity can fuel rumors:

> The greater the degree of ambiguity in the early days of the merger, the … more rampant rumors will occur…. I sat down one afternoon with … seven executives who had already been through a merger-acquisition, and they were about to go though another one. And so I asked them what had they learned, and one of the things they said was in the early day of a merger or and an acquisition, what is really needed is rapid decision making even though the decision may turn out to be wrong, and you are going to have to change it later.

As noted above, rumor is portrayed by constructionists as the attempt by those involved to socially construct a meaningful way of understanding what is occurring. Thus, one way of understanding the combination process from a constructionist perspective is that the process of socially constructing an explanation of what is occurring is inevitable. However, the process can either be conducted as part of a holistic attempt to create a central metaphor or dominant storyline regarding what is happening, or those affected can be left to their own devices to construct stories that reflect their fragmented, local perspectives. Further, as explained by the consultant above, there is value in creating these holistic constructions as quickly as possible even when it is apparent that new, more appropriate constructions may be quickly required.

Many integration efforts also fail to present a clear focus on what those involved in integration should focus their efforts. For example, a vice president of operations said that excluding him from the due diligence integration strategy development process

> forces my attention away from what I may ultimately decide are higher priorities and more meaningful priorities to make the merger or the acquisition successful. If I have to spend my time finding eight million dollars in material economics when I really think I ought to be spending my time re-engineering the entire manufacturing process to … put twenty million dollars on the bottom line, now I have to spend the time and energy convincing the management team that we're workin' on the wrong priorities.

Another vice president of operations noted that the lucrative international markets, which his company had pursued prior to acquisition, were largely ignored after the deal was completed:

> [A]nother point I want to mention is that [the acquiring company] or [our division] or maybe just our group—I'm not sure—has a very strong focus on the United States market. And I'm not sure why that is. But they have ignored, in my opinion, our international market…. Now, as an accessory business, we have been for years exporting our product to well over forty countries around the world, and had some pretty good market share in the key … markets around the world. Since the acquisition, that has been completely ignored.

Also missing from many integration efforts are clear expectations about what is expected from the integration process. A marketing manager who has participated in the integration of several acquisitions and a JV made this observation:

> [T]he results of some of [the integration processes were] quite long, because there was no clear strategy, and so people were just making decisions on their own, plus … some of them didn't have a clear integration manager, which dragged out the process because the … people would make decisions and then the … other groups would come back and say, "No, that's not what we want," and it goes back and forth and that can last for months before a decision's actually made. Or sometimes they never get made.

This quotation illustrates the benefits of engaging in the effort to develop shared social constructions of the combining organization among those involved. Without these shared constructions, decisions may be indefinitely delayed and divisive conflict is virtually assured.

A vice president of finance, who noted above that certain integration plans were left intentionally vague in order to not "scotch the deal" also noted that clarification of expectations about roles and responsibilities was sometimes postponed until after the deal was signed:

> I just don't think we've done a good enough job at the front end of really identifying who is going to take on what responsibilities, really nailing everyone's relationships, and … where we think we're going to have to be more active, and where we're going to be less active. We tended to do it after the deal has been done, and I think it may have helped to get the deal done, but then it tends to possibly create some expectations that aren't going to come to fruition, so you wind up with some unhappy people.

One such example occurred in a recent acquisition described by a director of customer service. He explained that an acquired executive with outstanding product design talents got distracted with operations responsibilities when several key operations managers left the acquired company and these functions were not back-filled.

> [T]here was a gentleman there [who was] very innovative…. As far as I know, he's not with us anymore, …but, I mean, … here's a guy that just thinks outside the box, he's just purely a … magician when it comes to makin' up stuff. He can just draw things on a piece of paper and wow, here's a [product] [laughs]…. [S]o it's fun when you go hire somebody like that…. I'm not sure that we had a reporting structure ever set up properly, so I don't know that anybody watched him, and I'm not sure he knew who he reported to, and then I know for a fact he got totally sidetracked in what we wanted him to do. He … was calling here every day trying to figure out how to ship orders, [and] make the [information systems] work. I mean, that's not what we hired him for. We should have had somebody in there as a operating manager running the business…. And then it would have been fun to cultivate his thought process with some of our engineers and maybe try to get them to start thinking like he does. So I think we left him on an island, which was wrong.

A director of leadership whose job was eliminated as a result of the merger of two large public utility companies suggested that the combined organization seemed not to care when tacit knowledge was lost in cases such as that described above:

> When it came down to what individuals know, it didn't seem like the organization really cared. As … people left the organization, for instance, people's jobs were eliminated, there was a lot of tacit knowledge that left the organization that none of the new people in control really recognized was needed. When [a colleague] left the organization, for instance, he left with a lot of information that they're still asking him for, because he still goes into the building and … he smiles politely [laughs]. But they … just … didn't realize the value of what some of these people carried.

A management consultant explained some of the other negative effects this lack of clarity can create.

> You just can't do too much communication within the organization. And yet, most people fall way, way, way short. They either think people get it, they think people understand, they think people can intuit out of the decision all that was behind it, and they sort of leave people out there fending for themselves. People are confused. People are frustrated. People, generally confronted with a "what's in it for me" will assume the negative if a strong positive isn't provided to 'em. People, I think, by and large, tend to have a cynical view what the future holds for me. Isn't that a depressing thought? [laughs] But I think it is true.

Further, a director of customer service described the scene at a recently acquired company in which performance had declined significantly due to the lack of clear expectations regarding the integration progress. Several months after the deal was closed, the director was sent to visit the acquired personnel (whom he had never met) in order to help make operational improvements.

> [W]hen we got there, I'm not sure that the … [acquired] company knew what to expect. I think we came in and they were basically saying, "Tell me what you want and I'll point you in the right direction." So I'm not sure they knew what to expect, … [or] they had the right people lined up, … [or] had the right resources ready. So I think if they knew what [we] were doing, we could've saved some time there. "Cause they're in the process of trying to keep their business runnin'"…. So, had there been more communication upfront, they could've at least been prepared and minimized some of the disruption during the integration.

As this passage and others above illustrate, many combination efforts are begun without clear integration plans, and those involved have little opportunity to proactively engage in multilogues aimed at developing common social constructions of the combining organization. Rather, all too often little or nothing is done in this regard until operational problems surface. At that point, key personnel may have departed, animosities developed, and the opportunity for the development of relational identity, relational responsibility and relational coordination may be foregone.

In addition to the lack of clear direction and expectations, the integration change process frequently unfolds through a haphazard, poorly planned process in which confusion and chaos are widespread. The director of customer service quoted directly above described the decision process that led to his visit.

> I want to say I was out there [pause], well I don't remember exactly, it had to be, I would say within six months. I mean it wasn't like day one…. I think there [were] some challenges and … [the acquirer's senior management team] decided I probably needed to go there and talk to them. So, I think … we realized we were a little bit in trouble. I don't know that it was a preplanned, 'You need to go out there.' I think it was more of an afterthought that maybe [visiting] these guys wouldn't hurt [laughs].

This same director explained that in a smaller acquisition—in which the leader of the acquired management team had a contentious prior relationship with several members of the acquiring management team—the entire staff resigned as soon as the acquisition was announced. This development forced the director to take drastic measures to keeping the acquired operation running.

> I got a phone call on a Friday saying we bought 'em and … they said "…[Y]ou need to be a part of the integration. You're going to have to have to take over customer service and quotes." And I said, "Well,

> what are you going to do to ensure that we're going to have somebody there when you make the announcement?" And they said, "Oh, they'll be fine." And I said, "No, I know who you're buying. That person ain't gonna stay, and/or you're gonna fire him. I just know enough about that relationship and my opinion is nobody's going to stay after you do that. When he walks out, I think he's got enough clout over his people they're going to go with him." And they told me to go pound sand. They made the announcement and everybody quit. I literally had to put two people on a plane, fly down to this system which we had never seen with no instructions, and try to enter orders and do quotes on a product we didn't know, on a system we didn't know, because somebody didn't think it was even worth having a backup plan before we just made an announcement.

This case clearly illustrates the limitations of even those knowledge sources that are codified. The group pressed into service to staff the abandoned organization faced "a product we didn't know, on a system we didn't know." The costs associated with losing the keepers of the tacit knowledge required to achieve a smooth transition in this case and others like it are substantial.

The difficultly of facing this kind of ambiguity is complicated by the fact that awareness of the level of ambiguity may be achieved only after some time. For example, an acquired vice president of marketing described his realization that an integration plan had not been developed after his company was acquired, as well as his frustration with having to adapt to an unstated, creeping change process.

> I don't know that there was a plan after [the initial meeting] as to [what was supposed to occur, nor did] it really became clear from our side as to what are we supposed to do next. Do we just go back to doing what we were doing? Which is pretty much what we did. But then as we … tried to do that, we found out that, well, we can't do that that way anymore, because "That doesn't fit into the system or the way

> we do things," or "We can't process it that way," or, "That has to be approved by somebody else now," and all those types of things, which you just basically just find out as you go. Initially the plan, as it was communicated to us, was simply, "There is no plan other than that we now own you and you are going to continue to do things the way you've always done them." Which seemed good, … like okay, great, I don't even know what that means, but we'll just go back to doing what we used to do [laughs].

Similarly, a director of engineering described a creeping, evolutionary change process, which he described as "feeding the bear."

> [In] the early integration phase, … [the acquiring company] sends out a … SWAT team of sorts with people who generate badges, and HR people who talk about policies, and security people who put locks on doors and things like that. And then there's this kind of, the honeymoon period, I guess, which … is really the acquired company being told things aren't going to change and then slowly things are changing. [This] starts … with quarterly reviews, ops reviews [in which acquired personnel are told], "We want your data in this format." "Well, we've never put data in that format," that kind of thing. And that … tail end, that third stage can last more than a year of finding out just how ugly the bear is…. The effect was trying to make the acquired company look and act like us as opposed to understanding the business model and business case of what we had just acquired. So, in trying to make 'em like us, we tried to force 'em into our mental … model of how we do things.

Several of those interviewed for this dissertation noted that acquired companies are frequently initially told nothing will change, and that this approach creates numerous problems. For example, a vice president of human resources expressed this view:

> [T]he problem I have with the whole process is, number one, we say nothing is going to change, so all these independent businesses that we acquired … think that they're going to keep their own identity. Okay? So the first thing you do is … set up a false expectation that they're not going to become a part of the bigger group. And then because we stay out of it, that becomes … more difficult as time goes on to say

> that you’re part of a network solution, [that] you are part of [the acquiring company]…. I think at times it … causes a lot of anxiety on their part and it causes bad feelings on our part in that … we finally do get in there [and begin to make changes and] we go, ‘God, these guys aren’t part of [the acquiring company].’

Further, the vice president of marketing who endured the long, evolutionary change process noted that the “nothing will change” approach was received with little credibility:

> [I]nitially, it was communicated to everybody that nothing was going to change. Business as usual. We’re going to continue to distribute product out of this distribution center here. Everybody’s going to keep their jobs, we’re not going to have any organizational changes, nothing’s going to change. Which, everybody laughs, because, supposedly, that is the standard response from any company that has acquired a new company. The first thing out of their mouths is “don’t worry, nothing is going to change,” and everybody knows that it will.

A director of customer service echoed this view:

> I think you’ve got to be blind to think you’re going to buy a company and … not going to do something with it. And … that’s almost ridiculous. Why would you buy them, if you’re not going to do anything with it? So, I think if somebody’s getting bought and they think it’s going to stay exactly the way it is, and nothing is going to change, I … think you’re foolin’ yourself. If you don’t combine at least the backend financial part of it, … you’re crazy, so I … think it can be detrimental [to deliver that message].

Each of these factors which create ambiguity contributes to delayed decisionmaking since the lack of focus and confusion which result fail to provide a clear basis from which effective decisions can be made. Once again, from a constructionist perspective, the multiple ways of seeing the combination process are placed in conflict, and these disparate perspectives may endure for extended periods as those involved defend their preferred construction. According to a vice president of finance, this process of delaying decisions and failing to clarify conflicting constructions of reality begins during due diligence.

> I firmly believe people get caught up in the excitement and the desire to do a deal and it tends to sometimes cause you to lose your perspective a little bit. I think I've observed that enough to say—and I don't think it's unique to the deals I've been a part of—you tend to … overlook things in your haste to make something happen, or it might be they have a feeling of a "well, we can deal with it [later]" rather than dig into it a little deeper to make sure you can deal with it [later].

However, a vice president of sales noted the benefit of moving quickly and with clarity during the integration process:

> [Y]ou're going to probably have to bear a little bit of pain and suffering. Why not get it done and get it over with and go on about running the business? The longer you wait doesn't necessarily make it easier.

In many cases these factors combine to create significant frustration among those involved, and delays in realizing synergies. The vice president of marketing quoted several times above described his reaction to the slow, evolutionary change process he endured after the deal was closed.

> Very, very frustrating. Yea, very, very frustrating. Only because … you had to learn on your own what you needed to do…. [One] example … [was] having to get a bill paid…. [T]he bill would come in and I would just do what I always did, just fill out the request form or the check request or send it to accounts payable or whatever…. And then you would only find out by default that, "Nope, you can't do that anymore." "Okay, what do I do then?" … [T]he people that survived and made it to this point where we are today are … the ones who …

> kept an open mind and were willing to say, “Okay, what do I need to do? Just tell me, and I’ll do it.” A lot of people [reacted like], … “Now they’re changing that,” or, “Now I can’t do that anymore,” or, “Well, hell, how am I supposed to know that?” and they would get so frustrated with that they would leave and we lost a tremendous amount of people because the impression was that we just didn’t know what we were doing.

Similarly, a director of customer service described his observations of the effects of poorly managed integration processes.

> Well, the integrations I’ve been involved with [pause], … by the time I got to the people it was months after the integration. And they were sitting there and they were just … negative. They were down on [the acquiring company]. They were saying things about [us] that I … couldn’t believe, ‘cause that wasn’t the [company] I worked for. But, … I was the first one that ever came and told them what a great company [the acquirer] was. Everybody else just told them, “You need to do this, this, and this.” But nobody ever explained why [the acquiring company is] a good company, why you’d want to be part of the team, why it’s a great culture, what we bring to the party.

With the addition of the third theme of a great deal of ambiguity and diffuse foci, those involved in integration face a formidable challenge in dealing not only with this but also unclear strategies (the first theme) and fragmented understandings of the overall process (the second theme). However, each of these issues operates at the level of strategy and overall understanding, and those involved in integration are typically pressed into making quick decisions about the design of specific day-to-day processes used to operate the combining organization. The fourth theme explores this issue.

## Conflicting and Redundant Organizational Processes

The fourth theme reflects the conflicting and redundant organizational processes, which become apparent as previously separate organizations are combined during integration. This theme focuses on the conflict that results when differences in the ways things are done are recognized, but it also reflects the constructionist emphasis on the way the world is seen. As noted in the literature review, individuals who construct success and its binary differently (for example, as either failure or misfortune) are likely to employ different approaches to evaluate success and its binary. Thus, although the fourth theme focuses on the more micro level of specific processes, it is clearly intertwined with each of the other themes and can be described by the social constructionist perspective with equal effectiveness.

In many cases, conflicts involving specific processes are negotiated at the local level, and there is typically no overall strategy for identifying what works for the acquiring and acquired organizations, nor what might work best in the combined organization. Conversely, under the pressure of tight integration deadlines and the requirements of running a business, process decisions are sometimes made by senior managers or staff members without regard to the specific requirements of the local situations. In either case, the processes employed may lack relevancy for the combined organization and may lead to conflicts and problems. Some, such as the manager of customer service quoted below, suggested the need to involve operations personnel much sooner in planning for integration in order to avoid “eleventh hour” crises:

> The planning should have started back in [laughs], I think, personally, when … [the division president] was thinking about an … acquisition…. [N]umber one, individuals from different areas should go visit the facilities to see what kind of system they have…. That way, we have a time frame that would allow us to sit down [and] implement our own integration plan [including issues such as] how are we going to train people … to do the quoting on products or process the orders? What is it going to take? There's just so many things that, unfortunately, individuals [involved in M&A] don't think about, and then at the eleventh hour we [in customer service] have to try somehow to figure out how to make things happen.

Some try to focus on an objective, unbiased review of the best practices in use at each of the combining organizations during integration. For example, a director of leadership described this approach that was used in the merger of two public utility companies:

> [W]hat we did is we essentially looked at many, many different functional areas…. [E]ach of those functional areas got a team to come together, integrated from both sides, and the mission was [to] take a look at what the east does and what the west does, but recommend the best process that you can come up with, not necessarily one's or the other's. So, it was more than, "Let's take the best of the two." It was, "Go beyond that."

However, this egalitarian approach is far from the norm, and conflict frequently occurs when processes are combined. A director of customer service explained the perspective of the buyer and seller in a situation that progressed from conflict to a more collegial atmosphere.

> I've seen a little bit of everything…. [S]ome of it is just ego trips and, and it's happened on both sides. Some … people [from our company] walk in and say, "Hey, we bought you" and they're not listening. And then some of it is the company we bought saying "Hey, we already know this business. We built it. You need to get out of here." But then

> there's been some good ones where we've had dialogue, where it started off as conflict. [A recent acquisition] is a perfect example. We went up there. Very, very tense when I walked in the door. The … owners and management of [the acquired company], you could tell, had no desire for me to be there…. But we came in bearing gifts, and smilin' and huggin' and saying, "We're … just here to learn." And by the end of the day, hey, they're chartin' out how they do business and this, that and whatever and … I … think by the end they were even saying, "Hey, here's some of our weaknesses and this is where we need help from [the acquiring company]."

In many cases, the acquiring company sees itself as the dominant party who has every right to impose its processes. However, it is also common for acquirees to see themselves as unique, and therefore requiring processes specially designed for their needs. This latter view was presented by a recently acquired principal of what was previously a privately held company:

> I think that [the acquiring company now] recognizes that we are a much different animal. It took them some time to come around to that. I think initially [they were thinking], "We'll just come in here and get you on this system and we'll … be doing it this way," and they didn't understand how different we are from the point of that … 25% of the product that we make does not have a bill of material when it's released to the shop floor because of the nature of our modified product and custom product.

Despite this tendency for acquired personnel to see themselves as unique, many see it as natural for the acquiring company to assume control of the decisionmaking process. For example, a vice president and general manager commented:

> There's always going to be a controlling management team in an acquisition. Very, very few acquisitions are done where one party doesn't control the other…. [F]or example, even in a merger of equals, someone's going to end up on top. And they're going to choose the management team.

A director of TQM whose company was acquired by a large conglomerate agreed. When I asked if she was part of the acquiring organization, the acquired organization, or if she was involved in a merger of equals, she said:

> [laughs] We were part of the <u>acquired</u> organization. I don’t think there is any merger that you would call a merger of equals. It is a piece of phraseology they use, but … someone always wins. Someone is always the buyer.

However, some acquired personnel who expect to have a voice in how processes will be designed are surprised when the acquirer asserts control. The acquired principal of a manufacturing company described his reaction when the owner of the acquiring company began asserting control over the acquired operation.

> [D]uring the integration process, his whole *modus operandi* was to … try to control our organization. Almost, at that moment, [on the day when we began moving our operation into his building], when we decided, yeah, we’re all gonna be together … his … *modus operandi* was total control. And, my *modus operandi* was, “Let’s do this at a timely fashion…. And even though now, at this point we’re together, let’s do it in a situation that makes everybody comfortable.” … All of a sudden, all his … accounting people decided they were going to start taking in our checks and [collecting] our receivables, and … his controller started telling me that our expenses had to run through a different way and … just a variety of things. In other words, it was his way or the highway….

When acquirers assume the dominant role, they may view any attempt by acquired personnel to influence the integration process as the “tail wagging the dog.” A vice president of operations had this to say about the decision process regarding which information system would be used by the acquired organization:

> Are we gonna run this company on your operating system or are we

> gonna run this company on our operating system? If you're [running] J.D. Edwards and we're [running] Arthur Andersen systems, are we gonna run the Arthur Andersen system or J.D. Edwards? And my … my take on this, being the larger company, is that generally you don't want the tail waggin' the dog. If you've got one factory in the company that's being acquired, and you have fourteen factories [in the acquiring company], the decision seems clear to me. But the discussion always becomes, "Well, we're special. There are aspects of our company you don't understand. So, therefore, your system will not accommodate that. You'll kill us."

However, in some cases the acquired company's process is deemed superior and is adopted by the acquirer. A director of engineering explained such a situation:

> I think in this latest one …, the clash was about how management reserve [i.e., an account which holds amounts reserved to cover potential financial liabilities] was to be held, and the compromise was we adopted … the [acquired company's] approach…. So I think in that sense it was the case of the whale adopts the fish's point of view, right?

Regardless of which approach is used, the constructionist perspective illustrates why it is critical to develop of common set of expectations, a dominant storyline, regarding what is expected to occur during integration. Even if the benefits of broad involvement of representatives of the whole system of those affected by the combination in designing common processes are foregone, the examples above make clear the myriad choices available to combining organizations regarding the construction of integrated processes. Thus, a basic requirement in integration is to establish a clear, unambiguous approach to process development, which clarifies which voices will be heard and which will be silenced.

Some who lead integration efforts seek to achieve unambiguous understandings such as that described above by recognizing that change will occur, but also seek to minimize the imposition of bureaucratically imposed processes. A vice president of human resources explained this perspective:

> [U]nderstand that there's going to be changes. You'd almost rather have [those responsible for the integration process] say, "Hey, there's going to be changes." Now, we're going to try to minimize them in this area, that area. Understand, though, that we … love what we bought here, we love the entrepreneur, but you're not going to be able to be the entrepreneurs that you [were]…. We're going to have policies and things like that, that are going to be in place. Hopefully, they're not overly burdensome. If they are, hopefully we're going to discuss these things, and see if maybe you can't even help us get rid of some of them. But believe me, there's going to be changes.

Still others see a certain amount of bureaucracy or hierarchy as positive (Adler & Borys, 1996) since it provides structure to the otherwise chaotic process of M&A integration. A consultant presented this view:

> [T]his may sound crazy, but there's something to be said for hierarchy, and … in both the [pharmaceuticals] and the [bank merger] case it was much more hierarchical…. So when you've got a hierarchy—at least if you've got enlightened people at the top of the pyramid—then things can really work and I was fortunate in both of these instances that I had very enlightened people to work with, and especially that was true of the CEO and the two heads of HR that I worked with. Both were smart as hell. I was just really lucky.

Further, sometimes a certain amount of standardization of processes (Feldman & Rafaeli, 2002) is required to achieve the objectives of the combined organization. For example, a consultant described the efforts made to create an organization that offered nationwide, standardized service by combining a number of previously separate service businesses:

> [I]n order to deliver on that promise, you've got to have consistency of service, you've got to have consistency of billing method, you've got to have consistency of process, and so forth. And so in order to pull that off you have got to do some standardization across company lines. Concurrent with that was the decision to go for a national identity, [and] repaint … trucks with all kinds of local names, familiar names … [with the national brand name,] Encompass Services Corporation.

Similarly, the managing director of a private equity firm recalled the acquisition of a German financial services company and the critical nature of standardization in this instance:

> In the German case, I think, just by nature of that business, you have to be exact, correct, and have one operational system, or the whole thing falls apart. You are … tying dollars to transactions, and if you're off by a dollar, you're done…. [I]t's an exponential disaster that's about to happen, so you have to have it right, and then you can only use one system.

Others pointed out that their preference for standardization was not motivated by dominance, but rather by the efficiencies and ease of working with acquired entities. A manager of customer service, who has had to develop a number of manual processes to cope with acquired entities that did not use the acquiring company's information systems, had this to say:

> I just think it would be good if, when we purchase a company, if we could go ahead and set them up on our system, the same way we are. And I think it would be a lot easier for [our sales] agents. That's why we [consolidated the rest of our customer support functions into one location]. 'Cause one call was supposed to do it all and currently, … the agents are required to make more calls than they even did before

[we made all of these acquisitions].

Further, sometimes the acquired entity benefits from having the acquirer's superior processes imposed during the combination. A marketing manager who was intimately involved in the integration of a Chinese JV recalled a conflict over manufacturing methods for electronic components, which reflected different, localized priorities:

> One of the problems … [the JV had is] that … their PC [printed circuit] boards, they were hand-assembling those things. The process of hand assembling is good for small quantities, but when you go for larger volumes they become inconsistent and causes a lot of failures. So … I insisted that they buy a wave soldering machine, which was very, very much resisted. It was a $40,000 investment and to them that was a very, very big investment. [The managing director of the JV] told me that they could have four assembly lines [for the same amount], … and he was very against it. And then … I told him, "The quality of the product is very key in the United States, and I will not give [you] any business unless [you get] a wave solder machine." And I … told [my boss], "If you want me to bring product over [to the JV] … without a wave solder machine you have to tell me [to do] that, because I'm not gonna do it unless you overrule me. And if you overrule me, then … you may be getting bad product in the United States." And so that went all the way up … to [the division president]…. [H]e, in turn, forced them to get a wave soldering machine. And … since then they have [purchased] three or four [wave soldering machines]…. I think it was a very positive end result. I think initially, … they were not happy with me taking a position like that, and it took a long time for [the managing director] to … forgive me [for] that because … for a year or two years after we very rarely spoke.

A director of operations took a similar position with regard to the imposition of new safety policies at an acquired company:

> I remember the first time I shut down a piece of equipment because it was in an unsafe condition, and I think the truck was backed up to the … [loading dock] or something and I think we needed the product and I'm like, "Nope. It's too bad." I can explain not getting the product,

> but I can’t explain when somebody gets hurt.

On the other hand, a consultant recalled the imposition of safety requirements at his prior company—which was acquired by a large conglomerate—from the perspective of those who were acquired:

> [T]he first piece [of the integration process] that employees noticed was a whole new emphasis on the safety factor, and while our organization thinks that it takes safety pretty seriously, [it was] nothing in comparison to [the acquiring company]…. [T]hat’s one of the things that … [acquired personnel] probably make light of, and almost [pause], they think it’s gone overboard. I mean, even to the point where the guys who mow the lawn around the lake on the campus have to wear life jackets when they mow their lawn. That kind of stuff just … takes employees over the edge.

Reiterating the constructionist perspective, it is less important to evaluate any of these approaches as universally correct or incorrect than to develop an unambiguous strategy for how process and other decisions will be handled. Further, it is important to recognize the consequences of the decisions that are made, such as the perception that requiring lawn mowers to wear life jackets had “gone overboard.” For example, when a more top-down approach to designing and implementing processes is used, it is important to at least heed Shotter’s (1993) recommendation regarding the need for persuasiveness and salesmanship among effective managers.

As this section shows, the challenges of integration create impacts not only at the strategic, overall level, but also at the level of day-to-day processes. With all of these factors changing suddenly and simultaneously, it may seem surprising that many combining companies attempt to conduct this process without clear leadership. However, as the next theme demonstrates, that is frequently the case.

### Unclear Leadership

The fifth and final theme reflects the unclear leadership, which characterizes many M&A integration efforts. As noted above, due diligence is typically conducted by a small number of senior managers and M&A staff personnel in an atmosphere shrouded in secrecy. Upon announcement, large numbers of operations managers begin taking integrative actions based on their understanding of the integration strategy, the immediate requirements of local situations, and a variety of other factors. A director of customer service who has functioned as an integration manager on several occasions put it this way:

> Many times, since we are a public company, we find out, as members of the [integration] team, the day the deal is made. So the planning stages take place at a very, very high level in the organization and all the assumptions [about how integration will be conducted] take place … prior to us learning about the implementation.

When leadership for this significant change effort remains unclear, the process can unfold in a myriad of unplanned, frequently conflicting directions. A vice president of finance summarized his experience regarding leadership of integration efforts as follows: “Left unchecked, obviously things tend to go off in slightly diverse directions, and you wind up not getting the optimal benefit of the process.” However, the leadership role in M&A integration is poorly understood, and many combining organizations struggle with how to address leadership of the process.

One approach to coordinating the integration process is to charge the responsible general manager to act as the integration manager. A vice president and general manager who was playing this role at the time of our interview sees combining these roles as “the only way” to manage integration:

> I think that’s the only way. I think those two [roles] have to be one and the same…. [Y]ou have to have somebody that’s responsible for the bottom line so that when that company’s being integrated you have someone that’s … established and bought in to the timetable for the integration, but [who] also can manage the business to maximize the profitability or minimize the damage that’s gonna … happen when you … make some of these integration moves. In other words, … if someone’s responsible for only integration, they’re going to manage to a Gannt chart [i.e., a management tool used to plan and monitor the stages of a project] and their success is going to be measured by how well they complete these tasks by these dates. If someone is responsible for the bottom line as well, then … they’re going to make decisions that are best for the overall business from … a cash flow standpoint.

Despite the benefits of combining these roles, there are also several drawbacks. First, unless the organization involved in the combination represents a significant segment of the general manager’s responsibility, he or she is unlikely to give the integration process the attention it requires. For example, a vice president of sales observed that his counterpart in marketing was justified in paying little attention to a recently acquired company. When I asked if there was a clear integration manager in this situation, the vice president of sales replied:

> Well, … if you had to pick somebody, yea, you could say, “Yea, it was [the vice president of marketing].” Now, [he might have played this role] … if he actually had the [pause] time to do it. I mean, he … could be doing the marketing for a $1.2 billion dollar a year company or trying to integrate a … nine million dollar a year segment of the

> business. So we just … didn't give it the right attention, in my opinion…. So there was nobody, nobody running that operation. We had a vice president of marketing … who was supposedly running the operation….. [O]nce every three months he'd go out there. The manufacturing guy reported … back into manufacturing, so …, once again, we were unclear in what we were doing and we were half pregnant on the deal.

Another approach is to use an integration manager who assumes an informal role without much visibility or power. The vice president of sales quoted above explained that he assumed this *de facto* role in the situation described above.

> [A marketing manager] and I were probably the first people that … [were] sent out there after the acquisition, and we [laughs] were going to start a couple projects and even though … formally nobody had ever told me, … I kind of took it upon myself [and ] … I think I convinced … [the acquired personnel] they were all working for me [laughs]…. I got pretty close to those guys in a short period of time. To the point where some of them, … when I exited from [this role], they said "Well, who am I going to report to now?" I said, "Well, you never reported to me to begin with [laughs]." I said, "You guys were all working for [the vice president of marketing]…. [He] just asked me to step in and help out."

Similarly, a director of customer service described the contributions made by an individual with deep levels of cross-functional company knowledge who has been used as an informal integration manager.

> [I]n our company we have a gentleman ... who's been around for years, probably has as good of a feel of our business as anybody, in my opinion. I mean has come through the ranks. He knows a little bit about quotes, customer service, ... [the order processing and manufacturing systems, and] a lot of the back end systems. He actually understands sales. I mean, as far as the generalist he probably understands our business as well as anybody…. Typically I've seen him … pulled in [to integration efforts] and … then he kind of comes back and says, "I've surveyed the situation, [and] here's who we need

> to pull in….” I think for a one man show [he] typically does a pretty good job….

However, as a marketing manager who has played this kind of role explained, there are shortcomings to the informal, “one man show” approach:

> I think, from all these experiences I’ve had, it’s … very important to have an integration manager, but … an integration manager that has some power over the groups … or some direction that he can dictate over conflicts. ‘Cause there are gonna be many conflicts that occur during this integration process…. [H]e needs to have enough power to make those decisions and keep the process moving forward. Otherwise it gets bogged down, and all there is is just conflict after conflict.

Similarly, a vice president of finance described the situation in which I led the integration process as follows:

> We didn’t give you any support [laughs]…. I mean this is a classic example of trying to ask the integration manager to perform all the tasks rather than coordinate all the tasks, and that to me is the key. You made a very strong effort to try to perform all the tasks, and it was probably a scenario that was doomed to not succeed.

In many cases, unclear leadership of the integration process—or lack of accessibility to the person who is supposed to be leading the effort—leaves those involved in integration without a clear go-to person with whom they can discuss issues that emerge during integration. I asked a director of customer service if a clear integration manager had been appointed in several acquisitions we were discussing, and he responded as follows:

> In my opinion, there wasn’t a clear one. Theoretically we all know there’s a vice president for most of them that … was responsible for

> that operating unit. But I didn’t see that that was a person that was in the day-to-day details. So, my opinion is that we had a problem because you really need somebody in the "grunt position," so to speak, runnin’ it and you know that’s who you go to. End of story…. But I didn’t see that there was focused, single person below a vice president runnin’ that integration. I think that hurts ya. You need somebody that understands the details, or can at least get down in the … dirt and make it happen.

From a constructionist perspective, the integration manager’s primary responsibilities include clarifying and articulating the dominant storyline regarding the strategic direction for the combination and the manner in which decisions, including those involving the construction of common processes, will be made. Thus, effective integration managers play a key role in facilitating solutions to each of the four problematic themes described above. First, integration managers can clarify and disseminate initial integration strategies and provide a clear road regarding what is expected. Second, integration managers can help those involved to see beyond their limited perspectives and develop more holistic understandings of the overall combination process. Third, integration managers can resolve ambiguities, including strategic initiatives not addressed in the initial integration strategy, and help to provide focus to those involved. Finally, integration managers can facilitate the deconstruction and reconstruction of common processes among combining personnel. In each of these ways, the integration manager’s primary role is that of a reality constructer (Bahde, 2002) who facilitates the emerging social construction of the combined organization.

## Conclusions Regarding the Five Key Themes

In summary, five key themes regarding the M&A integration process emerged from the grounded theory process employed in this dissertation. The integration process frequently presents those responsible for integration with a poorly articulated, impractical integration strategy; a fragmented understanding of the overall integration process; ambiguity and diffuse foci; conflicting and redundant organizational processes; and unclear leadership. These five interrelated challenges contribute importantly to the large numbers of integration efforts, which fail to produce intended results.

In the next chapter, a case study illustrates each of these themes. As the case shows, the challenges presented by some of the themes described above were effectively addressed, at least at the beginning of the integration process. However, the case also demonstrates a gradual decline in the effectiveness of the integration process and significant frustration among many of those involved.

# Chapter 5: The New York City Acquisition

## *Introduction*

To illustrate the five key, problematic themes presented above in the context of an actual M&A integration process, in this chapter I present a case study of a recent acquisition and integration effort for which I was the integration manager. This case depicts several of the shortcomings described above due to the failure to utilize the social constructionist approach consistently throughout the integration process. It details the views of several interviewees who were involved in the integration of the acquired, family-owned business based in New York City discussed in Chapter 3. As noted in that chapter, I was employed by the acquiring company, *Electrical Manufacturer*, and served as the integration manager for this acquisition for much of the first year of the integration process. This experience provided much of the participant-observer experience that informed the grounded theory developed in this dissertation.

Ten of the fifteen interviewees from *Electrical Manufacturer* mentioned this acquisition during their interview, and several provided extensive comments about this combination process. Further, both principals from the acquired organization were interviewed, and each focused almost exclusively on their experiences during this process. Thus, the collective set of comments about this event provides a unique opportunity to explore a single combination process from multiple viewpoints, and to illustrate each of the five themes discussed above.

As noted in Chapter 3, much of the case study in this section is presented in the form of dialogue between various interviewees and me in order to preserve the context in which the interviewees' comment were made and to demonstrate the discursive approach to theory development advocated by the social constructionist perspective.

### Strategic Focus

*Electrical Manufacturer* pursued the New York City (NYC) acquisition (hereafter referred to as the *NYC acquisition* or *NYC company*) because it provided access to the influential NYC market. *Electrical Manufacturer* had struggled for many years to penetrate the NYC commercial market for its products as sales of electrical products in this market are heavily influenced both by local relationships and local manufacturing capabilities which carry the IBEW (International Brotherhood of Electrical Workers) Local 3 union label. *Electrical Manufacturer* lacked both of these characteristics, but the NYC acquisition provided both. As such, it was critical to retain the principals of the NYC acquisition after the combination was finalized in order to maintain and capitalize on their relationships. Further, the principals possessed valuable tacit knowledge regarding local sales practices, manufacturing techniques, and product cost data, each of which was poorly documented.

### Integration Strategy

*Electrical Manufacturer* had acquired another family-owned company several years prior to the NYC acquisition and had suffered substantial operating challenges in the prior acquisition after using a SWAT team approach, which involved the immediate transition of information systems and other imposed changes. In this prior experience there was little evidence of a process that would reflect the social constructionist approach or the relational perspective. Rather, the focus was on the immediate transfer of control of assets and the immediate imposition of the acquirer's way of doing things. Unfortunately, this approach was not successful in that most of the acquired management team departed along with the acquired principals shortly after the latter had earned their retention bonuses and announced their intentions to start another business. A senior executive from *Electrical Manufacturer* described this integration process and the "trepidation" it created as follows:

> In just about every case [after the acquisition described above] there was … almost a trepidation on the part of the organization to go in and fully assimilate these organizations. I think we tried that once with [an earlier acquisition], … [which] failed miserably, because most of the principals of the company we chased off, their … regional sales manager team, we chased them all off, and we … ended up with … virtually nobody from the [acquired] organization. So from that point forward, we probably swung the pendulum to the other extreme. We were very *laissez faire* about how we dealt with these acquisitions.

Another senior executive from *Electrical Manufacturer* made the following observation regarding the division president's reaction to this earlier integration effort:

> I think part of the reason that our president went [the go-slow] direction [with the NYC acquisition] is because [in] an acquisition earlier in the decade, we eliminated the principals immediately. They went on to do other things. They were bought out of the company. The

> company floundered for a period of time. It … was partially because it was a clean break with no understanding of maybe we should have had consulting agreements or … some ability to touch back to the principals to help us integrate various parts, but the … real issue was the … path to market was through [sales] agents, manufacturers reps, and since the manufacturers reps were basically representing … competing lines, they were all fired. And an entirely new rep base had to be built. That's what caused that business to flounder, along with the principals being divorced immediately. That created, in my opinion, in our president's mind, a model that said, "Don't ever divorce the principles. Let 'em run the business and we'll be successful." And I don't think that's the right model either.

Although the sudden transitions in the sales arena certainly had a negative effect on the acquired company's performance, the division president explained that a key lesson learned from the earlier experience—at least from his perspective—was the importance of retaining the acquired principals.

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| Division President | I made up my mind we weren't going to do the same thing with [NYC acquisition] that we did with [the prior acquisition] because you had [the acquired principals] running the business. |
| Keith | Yup. |
| Division President | They were entrepreneurs. And everybody wanted to integrate them right away. Everybody wanted to bring them into the, you know, do this, do this. I said, "Let's leave 'em in New York, doin' what they're doin', and then we'll figure out, very slowly, how to go out there and make [our] products and work with the union and figure this thing out, and we'll walk slowly, and we'll get what we want done, but it may take us a year, year and a half, two years." That's what we did. |
| Keith | Do you remember your instructions to me? You walked into my office and said, "I'd like you to take the lead on integrating [the NYC acquisition]," and I said, "Great, what do you want me to do?" Do you remember what you said? |

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| Division President | No. |
| Keith | “Keep it fun, keep it entrepreneurial, and help [the acquired principals] get things done.” That has stuck with me for six years. |
| Division President | So that’s what we did, and we took it slowly, and I knew [one of the principals] was going to leave. There was no question that [he] was going to be there for the long term. |
| Keith | Yea. |
| Division President | …[B]ut I felt [the other principal] … had a position with us. |
| Keith | Yea. |
| Division President | And [he] was a young man….. [W]e had discussions: “Do you want to leave?” “No” and he’s still here today. I mean, doing a good job. He’s … still an entrepreneur, still knows that New York market. He knows it in and out. |
| Keith | So there’s a value in keeping the sellers on board? |
| Division President | Oh, absolutely…. [That’s] what we did at [the NYC acquisition], and [it] I think has been a success for us. |

Although he did not specify the principles outlined in the section on the relational perspective, it is apparent that at least some of this perspective underlies the division president’s comments. For example, his comment that begins with, “They were entrepreneurs” demonstrates his assessment of the value of the tacit knowledge and social capital (Rogan & Lovas, 2002) they possessed. Further, his comments about the career potential of one of the acquired principals demonstrate at least a measure of relational responsibility.

The division president and I digressed for a few moments to discuss several other acquisitions, and then I brought us back to the NYC acquisition.

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| Keith | Can we go back and talk about [the NYC acquisition]? Since I was involved in that… |
| Division President | Yea. |
| Keith | …I'm really interested in your perspective and pleased to hear you think of it as a success. |
| Division President | Oh, I do. I think it is a success. I still think it is. |
| Keith | Are you aware of the amount of conflict that I encountered with the go-slow strategy? |
| Division President | Oh yea. Oh yea. |
| Keith | [laughs] |
| Division President | Oh, I mean everybody wanted to just suck it right in and just make it, make it, make it, just do it now. |
| Keith | Uh huh. |
| Division President | Yea, oh yea. Absolutely. |
| Keith | Huh. |
| Division President | I mean all my staff said, "We got to do it." … "We got to do this right now. We've got to get this thing done…. You don't understand…." I said, "Yea, I understand. We ain't gonna fuck up this business. Remember what happened to [the prior acquisition]?" |
| Keith | [laughs] |
| Division President | "Remember what we did there? You want to repeat that?" [Then they would say,] "Well, we can do it better than that.' I said, 'Well, let's just take it slow," and I told [my boss] what I was doing. I mean, so I was not doing this in the blind. I mean I told [my boss] exactly what I |

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| | was doing. |
| Keith | Mmm hmm. |
| Division President | And he said, “Yea, we don’t need to fuck up the business….” |

Despite the division president’s advocacy for the “go-slow” approach, there was significant disagreement about this approach at many levels throughout *Electrical Manufacturer*. This lack of consensus regarding a key element of the integration strategy served to undermine my contributions as integration manager and the overall performance of the NYC acquisition. One of the principals of this acquired company summarized the integration process as follows.

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| Keith | Okay, what would you say about the duration of the integration process for [the NYC company]? When did it begin and … end? |
| Acquired Principal | It began, in hindsight, … before the formal acquisition took place. |
| Keith | Okay. |
| Acquired Principal | And I think it began actually when the deal became a deal, prior to the signing at that intangible moment when, despite that there was some open issues left, and despite the fact that the final documents had to be put together that it was … obviously a deal and I think the transition started then. |
| Keith | Okay. |
| Acquired Principal | I think it still continues … four and three quarter years later. |
| Keith | [laughs] Okay. And what can you tell me about the integration process that has been used? And try to identify key stages or events. |
| Acquired Principal | I think [pause], I think there have been three distinct phases. The first phase lasted approximately a year and a half to two years. |

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| Keith | ‘Kay. |
| Acquired Principal | And that stage was the romance and the honeymoon stage where I think, to some extent, we were treated … separately and left separately. Transition was somewhat less tangible during that period of time. It was more, ‘Let them be what they are and stay relatively independent.’ |
| Keith | Uh hmm. |
| Acquired Principal | The next phase was dipping … their feet in the water, contemplating computer change[s], system change[s], accounting changes. You know, more structural, organization type changes. |
| Keith | Right. |
| Acquired Principal | And I think that … leads to the third phase, which is the … freezing out phase where there is ultimately an inability on both sides to … live in each other’s world. |
| Keith | Uh hmm. |
| Acquired Principal | And I guess … that’s the final phase of the transition which I think is … still ongoing but coming towards the end… |
| Keith | Hmm. |
| Acquired Principal | …of that transition. |
| Keith | And what will … it be like when it comes to the end? What is the … end? |
| Acquired Principal | I think the end, ultimately, is the … physical departure of anybody who is … left over with any ties to the older philosophy and the older structure, whether it be the individual’s loyalty to former owners or simply loyalties to former structure. You know, there are employees that prefer the structure the way it was, and I believe ultimately they get weeded out, voluntary or otherwise, and I think … that’s how it finally comes to pass. The actual physical departure will … be the final cornerstone of how it can be reconfigured. |
| Keith | Do you think that cycle is inevitable or might there have been another way to have this happen? |

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| Acquired Principal | I think it's … inevitable when the size of the two organizations…, acquirer and acquiree, …is so dramatically different so that the personalities, the inherent personalities are different, the structures are different. When you're talking the structure that exists in a $25 million dollar company versus half a $500 million or a billion dollar a year company, … when the size is that dramatically, relatively different, I think it is inevitable. |

In the following sections, I recount the story of the NYC integration process from several perspectives. As I will attempt to show, I do not believe that the destructive cycle described above is inevitable even when, as noted above, "the size of the two organizations … is so dramatically different" or when combining organizations are somewhat different in other ways. Although differences such as these can create different ways of constructing reality—in Gergen's words, different sets of binary distinctions (1999) in place at each organization—with effort these differences can be bridged and a common construction of reality can be developed. When this occurs, those involved can reach consensus about the strategic direction for the combination and move forward in relative harmony. In contrast, as the sections below show, the individuals involved in the NYC integration process largely lacked consensus about the integration strategy except for a short period at the beginning when a compelling common vision led to an exceptional level of adaptation and performance.

## *The Due Diligence Process (April-December, 1997): "Can't Imagine It Being Done Any Other Way"*

Although I was not involved in the due diligence process for this acquisition, it seems clear that this process was conducted effectively. One of the acquired principals assessed the due diligence process as follows:

> I think the negotiation process was outstanding. I think it was professional, I think it was easy, I think it was flexible, and … creative…. I give it high marks. I couldn't imagine … any better cast of characters, and I can't imagine it being done any other way.

As a result of this positive experience, there was a high level of enthusiasm as the integration process began. This enthusiasm helped facilitate a smooth change process at the beginning of the integration process. However, as is typical of many M&A cases, there was little discussion of specific strategic factors during due diligence and little consensus developed regarding the priority and timing of planned integrative actions among the operations managers who would later assume control of the integration process. Thus, despite a due diligence process described as "outstanding…, professional …, easy…, flexible, and creative," the lack of strategic consensus led to significant conflicts and challenges later in the process.

### *Early Integration (January-March, 1998): "The Romance and the Honeymoon Stage"*

The announcement of the NYC company acquisition was made to its employees by the division president of *Electrical Manufacturer* who traveled to the NYC company along with most his senior management staff—each of whom led a functional area such as finance, operations, marketing and sales—on the day of the announcement. I accompanied the senior team since I was to act as the integration manager. At the time, I reported to one of the functional vice presidents who participated in the announcement, and I continued to do so in this new role. After the formal announcement and a brief question and answer period, the entire senior management team from both the acquiring and acquired organizations crowded into one of the acquired principal's offices to discuss the initial integration strategy. The division president had asked me to document the process so that roles and responsibilities would be clear, and I set up the laptop computer I had brought for this purpose at the only desk in the office while everyone else crowded into available seating. One of the acquired principals recalled this session as follows:

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| Keith | Go all the way back to the beginning of this story if you will and tell me what the value of having me tap away on the computer on the very first day was? |
| Acquired Principal | I think it was important because … a … volume of needs is coming fast and furious. It's important to simply have them down on paper. That was a luxury, in and of itself. It's important to have it recorded so that everyone knows what the expectations are, of all parties involved. I think it's a tangible road map of what was discussed and what needs to get done. So, I think that's the importance is, "Okay, this was what was discussed, and this is what needs to … get done. Let's move along this menu." |

As this principal explains, the written plan which emerged from this initial integration strategy session was helpful to those who attended the session, as well as many others who became involved in the integration process but who did not attend the session. With this plan, everyone involved had "a tangible road map of what was discussed," and there was a clear integration strategy with a high level of consensus. However, as this acquired principal pointed out, the integration strategy development process could have been introduced more effectively had there been some dialogue about the need for this process.

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| Keith | Do you remember what your reaction was when you received that transcript [of the initial integration strategy session]? |
| Acquired Principal | Yea. I think, without … thinking through my answer too much, my reaction was that I felt put upon. I felt that I was being managed, which was an unusual feeling. |
| Keith | Uh huh. |
| Acquired Principal | That was my reaction at that moment. |
| Keith | Uh huh. |
| Acquired Principal | In hindsight, in looking back on it, I think it was very important. |
| Keith | So what else might we have done that wouldn't have made you feel put upon? |
| Acquired Principal | [pause] I think just in the … way it was, it wasn't even introduced. I mean, we all just got into the room and you whipped out a laptop and started typing, and then sent us a—I'll, I'll choose my words carefully to make a point here—in a sense, our list of chores to do. Whereas in reality it's helpful and I think if it's explained as such, as, "We want you to be focused on what you really need to be focused on so be free, be … fluid. This will just help you deal with what we need. So, hopefully, it will just help get things in order and prioritize and just give you a roadmap as to what we need for our own needs." |
| Keith | So it sounds like you … primarily saw that as a task list we were giving you, and I don't remember exactly what it said, but it wasn't so much a game plan that we all would play off of. |
| Acquired Principal | Correct. |
| Keith | I see. Were there not… |
| Acquired Principal | Although I will say there were statements on there that said, "Okay, [the interviewee names himself], you are going to do this," and, you know, "[the interviewee names the vice president of sales], you're going to do that," and, "[the interviewee names a customer service specialist], you're gonna do this, this and this." I mean, it wasn't … [the acquiring company] saying, "[the interviewee names himself] |

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| | you going to do this, this, this and this." |
| Keith | Uh huh. |
| Acquired Principal | I'm telling you what my initial response was, but in hindsight I'll correct my initial response. I think it was a group document. But it was not what my initial reaction to the document was. |
| Keith | And, and this is great, I mean, I want you to be straight with me because I want to know your initial response, because your initial response is likely to be very similar to others' initial responses. |
| Acquired Principal | Yea. I mean, my initial response was that it was like a child's chore list that they had to take care of before they [could] be free and clear. |
| Keith | Yea. |
| Acquired Principal | And I think it's more in the presentation of that process than anything else… |
| Keith | Uh hmm. |
| Acquired Principal | …that we needed to work on. Because in reality I've already myself highlighted … that it was useful… |
| Keith | Yea. |
| Acquired Principal | …and if it is useful, therefore it just needs to be presented somewhat differently. |

As this passage shows, a technique which would be readily accepted without question in the acquiring company—such as documenting the minutes of a meeting and distributing them for comments—can carry very different connotations among members of combining organizations. Without dialogue regarding the intent of such techniques, unintended messages may be sent at a time when a high degree of consensus and trust is required to enable the members of the combining organizations to move forward in synchronized action. From the relational perspective, it is critical to pursue actions such as the documentation of the initial strategy with a strong awareness of the relational identity of those involved. That is, actions and outlooks that are taken for granted from an individualistic perspective may be regarded quite differently when others' perspectives are considered. Extensive multilogue in at atmosphere characterized by high levels of trust and openness is the only way to achieve this relational perspective.

The integration strategy developed during this initial session focused on the initial actions taken during integration. During this time, there was a significant amount of change and adaptation, but also a high level of performance and relatively little dysfunctional conflict. One of the acquired principals described this period as follows:

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| Keith | So tell me about the your first nine months. I give you your list of shit to do, January 1st. |
| Acquired Principal | Right. |
| Keith | [laughs] What then? |
| Acquired Principal | [pause] Hey, it was a whirlwind. We were trying to sell, trying to grow, trying to justify the acquisition by growing sales and at the same time trying to integrate the systems. It's not possible, so… |
| Keith | Take it in chunks if you can. Think about the first three months before we really started doing much systems work. |
| Acquired Principal | The first three months was purely my platform, my personal platform for myself and [the acquired company] to be viewed within [the acquiring company] as the end all, be all to, you know, the entrepreneurial poster boy. |

Keith [laughs] Uh huh.

Acquired Principal And I think that was the way it was played on many levels. Whatever you want, in the rules, out of the rules, doesn't matter. Just make it happen.

In the midst of this whirlwind of activity, we accomplished much during the early months. We immediately began accepting orders for the acquiring company's products that had never been manufactured in the acquired company's location. Filling these orders required the immediate transfer of a great deal of technical knowledge among multiple groups who had never met, some of which was tacit and some of which was codified. One of my roles in this process was to make introductions among these groups and facilitate dialogue that would enable those with the required technical expertise to collaborate in the production of the required products. For example, the assembly of certain products required the transfer of codified engineering documentation, but also tacit understandings that were taken for granted among members of *Electrical Manufacturer*. I brought together groups who engaged in dialogue to discuss both the mechanics of transferring the information and the tacit understandings required to use the information.

However, with so much changing so quickly, and with so many different people having different conversations, the opportunity for misunderstandings and potentially harmful dialogue was alarmingly high. One of the acquired principals described a conversation—of which I was unaware until we conducted the interview—that occurred in the first month of the acquisition.

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| Acquired Principal | Like I said to a bunch of people that I was talking to in the first three months when, I think I went to [an annual management meeting hosted by the acquiring company], which was probably a month after the acquisition. |
| Keith | Right. |
| Acquired Principal | “Hey, I’m trying … to meet you people, the foot soldiers, and … I want your respect. I want you to understand that I’m … here because we can perform and we can do good things for you. We can be creative. I don’t want you to view me as getting all these special favors from [the division president] because … we were just acquired. I want you to understand that I can do good things and I don’t want to be viewed as being the spoiled kid.” |
| Keith | Yea. |
| Acquired Principal | And the answer was, “You haven’t been here that long, it’s gonna be fleeting, so enjoy it while it lasts.” [laughs] |
| Keith | Are you telling me someone really told you that? |
| Acquired Principal | Oh yea. That’s verbatim. “You haven’t been here long enough to realize that that comes and goes as the wind blows. So if you’re in the spotlight now and you’re getting to spend money without an AFE [i.e., an authorization for expenditure, which is a complex financial analysis typically required for approval of capital investments], and your getting all these open type of easy treatment, and stuff like that. It will not last for long. So enjoy it. Don’t, don’t bemoan it. Don’t feel like it’s gonna make you look spoiled to anybody, because you … won’t have it shortly. So enjoy it now.” |
| Keith | And, so how accurate is that statement? |
| Acquired Principal | About as accurate as it could possibly have gotten. |
| Keith | Uh huh. |
| Acquired Principal | It was very accurate. |

The exchange presented above reflects a low level of regard for the kind of relational responsibility advocated in this dissertation. Even if the person who presented the dire predictions of the acquired principal's expected fate believed they were true, it is difficult to see how they could be interpreted in a way other than reducing enthusiasm for the combination.

Despite unfortunate occurrences such as this, motivation and performance levels remained high during the first three months. The acquired principal continued his description of this period as follows:

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| Keith | Uh huh. Okay, so now we got you fired up [at the management meeting], and you head back, and you're taking orders off the street for product we have never built, and what was that like? |
| Acquired Principal | [pause] It was everything we wanted it to be because here we … were … building product … without bills of materials [i.e., product documentation which lists part numbers, part descriptions, costs, and other data]. It was chaotic, but it was what we needed to do, and I think we held a special fancy in still being able to perform better than any of our competitors or, for that matter, better than even the acquiring [company] itself in New York in terms of getting the new products out the door quickly. |
| Keith | Yea. |
| Acquired Principal | And it was the way we wanted to do it, chaotically, you know? Ship us five hundred of those [parts] and six hundred of those and we'll go from there. |

Despite the whitewater of change occurring during the early stages, those involved adopted the favorable elements of the relational perspective of social constructing the means to achieve relational coordination. The other acquired principal described the early integration process, and the impact of the integration manager role that I played, as follows:

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| Acquired Principal | I thought it was going very, very well. I had a direct pipeline to [the division president] whenever I needed to talk to him. |
| Keith | Uh huh…. How, how did you do that? |
| Acquired Principal | Pick up the telephone. |
| Keith | Uh huh. |
| Acquired Principal | And, the [pause] assignment of you, or someone like you, to help me get into place the machinery necessary to do what we needed to do, which was to market, assemble, produce [the acquirer company's] equipment into the New York marketplace was absolutely invaluable… |
| Keith | Hmm. |
| Acquired Principal | …because I didn't know who to talk to. I didn't know how to get things done. I didn't know how to get bills of materials. I didn't know how to identify catalog numbers. I didn't know who to talk to, to get parts ordered so that we could produce stuff that we had sold, and the assignment of a person to [pause] kinda act like the computer server… |
| Keith | Mmm hmm. |
| Acquired Principal | …was a great idea. It worked very, very well. |
| Keith | Mmm hmm. Mmm hmm. Can you remember … any specific examples of that working well? |
| Acquired Principal | …Specific examples of how that worked well? Sure, we needed to … produce material for [one of the acquired company's product lines]. We needed to get that material ordered, shipped to us, [but] we had no idea who to talk to, how to get that done, we had no access to your computer system at the time, … we … had no idea what a bill of material for a product looked like, [or] how to get such a bill of |

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| | material. Even in the early … stages when we did have access to the computer, we had no idea what reports existed, how to physically get a bill of material so that we could produce a product, how the … value of this product that we produced was going to be accounted for, how we were or were not going to get credit for things… |
| Keith | Uh huh. |
| Acquired Principal | …who I needed to talk to, to get this stuff ordered, what modifications could or could not be done to this material, how to get an order entered into your system, how to get it billed, who do you talk to, to have that done? Credit problems with our customers would have been lost at sea without someone to tell me who to talk to. When I had difficulty getting material purchased because you didn't have stock, I would have no idea who took care of material procurement, who could … help me with that, who could cut some strings so we could get something faster. It's a large organization, an alien organization and we would not have been able to pick our way through that mine field without significant hand holding. |
| Keith | And so what did I do? |
| Acquired Principal | You provided me with the proper people to do what I needed to do. When it wasn't done, you probably had meetings with these people. |
| Keith | Mmm hmm. |
| Acquired Principal | You had telephone conversations whereby we could work out procedures, methods, work around things that were difficult and couldn't be done. I remember lengthy conference calls… |
| Keith | Mmm hmm. |
| Acquired Principal | …getting all of this in place…. We made arrangements to store material in various warehouses as it became necessary to do that. I can remember a warehouse having something that we needed desperately and not being able to get it because the guy didn't want to release it. |
| Keith | [laughs] |
| Acquired Principal | He wanted to look at the pretty numbers. |
| Keith | [laughs] Wanted to keep plenty of material on the shelf... |

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| Acquired Principal | Yep. |
| Keith | ...just in case somebody needed it [laughs]. |
| Acquired Principal | Absolutely, so he didn't show any outages. |
| Keith | [laughs] Unbelievable. |
| Acquired Principal | Oh, but true... |
| Keith | Oh yea. |
| Acquired Principal | …but true…. [I]f this worked at all, the difficulty of making it work was significantly reduced by having … an ombudsman if you would like. |
| Keith | Yea, that's a good word, yea. Yep, what, and what's... |
| Acquired Principal | 'Cause …, and these are intangibles, [but] being unfamiliar with the collective corporate personality… |
| Keith | Yea. |
| Acquired Principal | …and the collective corporate culture, it would have been very easy for me to do things that were very, very wrong and counter culture…. And it wasn't at all necessary to do that, but I would not have been sensitive enough or aware enough at that point in time to know that. |
| Keith | Can you remember any examples? |
| Acquired Principal | Not off the top of my head, I'm sorry, Keith. I don't, but I do know that it occurred. |
| Keith | Can I cue you with one? |
| Acquired Principal | Go ahead. |
| Keith | Remember the … investment opportunity [for a major new product development proposal]? |
| Acquired | Absolutely, yes, okay. Yea, I [laughs] as I recall it, I had no idea what an AFE was, how to prepare it. I had no idea that you really couldn't |

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| Principal | be making … capital investments like this without AFEs, and somehow you seemed to work it out where I was able to go ahead and do what I needed to do and you caught the paperwork up for me. |
| Keith | Ah. |
| Acquired Principal | I also remember the very first time we had to come—it's coming back, that part is coming back now—the very first time we had to come and, and present our financial plan for the next year… |
| Keith | Yea. |
| Acquired Principal | …our growth numbers…. I would have had—having had no experience in this kind of environment—two problems. One, I would have … been clueless. I would have … not known how to prepare, in what format, an acceptable presentation. And, more importantly that that, there's no way that I would have been aware of the importance attached to such a presentation... |
| Keith | Um. |
| Acquired Principal | …if someone didn't explain to me that this was a very important thing… |
| Keith | Mmm hmm. |
| Acquired Principal | …and this was something that everybody did, and you held my hand and walked me through that first … presentation. I would have not even given it any serious consideration. |
| Keith | Mmm hmm. |
| Acquired Principal | It was not something that was in my sphere of experience…. Having an integration manager around, I think, probably was, to whatever degree of success we had during that … phase, absolutely critical and the most important decision, I think, that was made [pause]. The process would have been hundreds of times more difficult and maybe never would have happened at all without such a person…. The early stages of the integration process were not uncomfortable at all. |
| Keith | Hmm. |
| Acquired Principal | Difficult, but not uncomfortable, due in a large part to having access to someone in … the position that you served. But they were not difficult. |

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| Keith | Huh. Uh huh. We were going through a tremendous amount of change in those days. |
| Acquired Principal | Yea, but they were not onerous. Difficult, … they were difficult, [but] they were not onerous, uncomfortable, unreasonable, or … unnecessary. They were fine in the early days. |
| Keith | Uh huh. Uh huh. Okay. |
| Acquired Principal | I would think that even the installation of [the information systems], which was probably the single most difficult phase of this process, we managed to work around it. We managed to get it in without materially damaging the business. |
| Keith | Mmm hmm. |
| Acquired Principal | And there is a certain sense of pride that I take in it [and] my people took in achieving that. |

With the help of an integration manager, and access to the division president on an as-needed basis, the acquired principals engaged in the rapid social construction of the strategies, tactics and processes required to integrate the acquired organization into *Electrical Manufacturer*. Despite the substantial effort required, the process was "not onerous, uncomfortable, unreasonable, or … unnecessary." The acquired principals learned the acquirer's language, methods and culture, and began achieving the combination objectives. In summary, during the first three months of the integration process, much progress was made and hopes were high for the continued success of the combined organization. In fact, with many of the early, chaotic, experimental times behind us, we looked forward to a period of greater stability, predictability and success.

## *Transition (April-October, 1998): "The Grind of Running the Business"*

Regrettably, the high level of success and adaptation was relatively short-lived. By the fourth month of the integration process, the momentum we generated during the first three months began to slow and the high level of consensus enjoyed at the outset of the integration process began to fray. I asked one of the acquired principals to continue his description of the first year:

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| Keith | Okay. Now it's April or May or something like that, and we have the production system sort of up and running and we're shipping orders. What was it like in the second three months? |
| Acquired Principal | [pause] Costs. What are your costs? When will you know your costs? When will you know your inventory? When will we start thinking about turning the computer system over? It was … to the grind... |
| Keith | Uh. |
| Acquired Principal | …of running the business. |
| Keith | Who was asking those questions? How did they get asked? And what did you think of them, given that [the division president] had told you we were going to leave you alone? |
| Acquired Principal | Here … it is in a nutshell. I think the philosophy that comes out of [the division president's] mouth … disappears when the minutia of implementing an acquisition takes place because the [operations and financial] people that implement the acquisition are like … the foot soldiers who really don't care about the entrepreneurial spirit…. [I]f [a credit manager] is ultimately going to be in charge of accounts receivable… |
| Keith | Yea. |
| Acquired Principal | …she wants it done the way she's always done it. Period. And if Joe Blow is in charge of inventory days [or days supply of inventory, a common calculation of inventory levels], he only knows one thing: He needs to get it in line. If he now has a dotted line responsibility for [the acquired company's] inventory and it's at 110 days and … [he is |

evaluated at] 80 days for … anything that reports to him, damn straight he is going to get it to 80 days.

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| Keith | Yea. |
| Acquired Principal | So, from … lip … service to reality, when it gets to the foot soldiers, it is very hard to control what actually goes on. So as we started to get into the details of the transition, we started to lose our way. |

The passage above clearly illustrates the erosion of coherency and consensus among those involved in the integration process. A process that began with enthusiasm and rapid adaptation began to be mired in bureaucracy and conflicting agendas. The clarity of strategic vision enjoyed in the first three months also became blurred. In fact, one of the acquired principals suggests that a sense of duplicity became apparent as the process progressed.

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| Keith | [W]as the duration of the integration process made clear at the beginning and were clear interim milestones established? |
| Acquired Principal | In this case, no. I think … actually there were many statements made that there would be no changes made. That was, in fact, a very important part in the philosophy of why this acquisition was made…. |
| Keith | Uh huh. |
| Acquired Principal | So I think quite … the opposite of lack of communication, lack of … direction, I think we actually had … direction and statements, and we had things to look forward to, and I think that … they didn’t actually come to pass. We were not left alone, we were not left to be what we were, and … I chalk that up to ultimately be the words of … either a minority who at that time were acting as a mouthpiece, or at that time the people that were making those statements actually thought they had the power to make those statements, and in reality, as time wore by the operational side of the business that really wanted to make changes, that felt that they had to make changes, either … became more powerful or ultimately just won … the war of attrition in terms of … whose opinion would really become law. |

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| Keith | And so how does all of that sit with you now? |
| Acquired Principal | …It’s not even like we had no communication. We did have communication but it was counter communication. It was almost leading … me personally with the emotional feeling that I was just patted on the head and told, ‘Don’t worry. We really respect you and we … think you run a great company, and … why would we want to change that?’ When in reality, behind the scenes, there were plans to dismantle what was perceived to be a creative, entrepreneurial, cowboy-type atmosphere. So I think what I am saying is I think there may have been malicious intent to kind of lull me into a sense of, “Yeah, we’re not going to change anything. We not gonna cut your knees out from underneath you.” But, in reality they were just biding their time to do so. So, ultimately, that’s worse than no communication. |
| Keith | How does that make you feel to be treated like that that? |
| Acquired Principal | Well, I can’t say—I obviously I have a lot of thoughts about that—I just, I can’t say ‘used’ because you have to always understand that ultimately you were paid a lot of money for your company. How does it make me feel? It makes me scratch my head and say, in my case, since our company ultimately produced commodity goods [and] the only thing that differentiated us from any of our competitors was our ability to service our customers, ultimately, it makes me feel that … the acquirer, in this case, really doesn’t get it. That, in fact, … I would have been a lot less nervous and insecure about competing with a giant like that if I had known then what I know now. |

Much of the challenge of developing a common vision among combining personnel was due to cultural differences, according to the vice president of sales of the acquiring company.

> [P]robably the best example of [cultural differences between acquiring and acquired organizations] is … the acquisition of [the NYC company]…. [H]ere you come from a very family-owned, entrepreneurial [company]…. [T]he federal government, what is that? What do they have to do with anything? [laughs] Those guys, … it’s so typical of a small business…. [T]he way they would do business was … probably very appropriate and suitable for a small business in

> [the NYC area], family-run, family-contained. There's a big value clash when … you try and incorporate that with … [the acquiring company]. [The] first thing I'm going to ask you to do is sign … that you recognize that we have a conflict of interest policy and an ethical conduct [policy] and you must subscribe to living up to the letter of all federal and state statutes. Not that I'm saying that these people weren't, but … the bureaucracy that … I think a large organization … doesn't necessarily need to run itself—'cause, there's … probably more bureaucracy … than necessary—but there's a certain amount that has to be maintained when you get to a certain size. Okay? You've got to have a certain bureaucracy to maintain this. These guys never had to deal with it. Never wanted to deal with it…. They didn't have to concern themselves with, "Are we doing all the proper reporting for … [government agencies such as the] EEOC." These guys aren't aware of that. They don't want to hear about that. That's not what they … were doin' to run their business. And nobody ever thinks [about the effect of all this]…. We all know it's necessary because we're all [pause] little bureaucratic robots ourselves [laughs]. So, we … see the logic, "Well, sure." And we come in with our … professional, well-oiled, self-perpetuating bureaucracy and we're just gonna plop it down right on top of 'em [laughs]. We never think about the consequences [laughs].

I asked this executive, "So how did we enculturate [them] or how might we have?"

He continued:

> Well, if we're talking about [the NYC acquisition] specifically, I think it's six years and counting. I don't think we have [laughs]. I mean [pause], that's what [one of the acquired principals] used to call "the essence of [the acquired company]." … [A]ll the attributes you … try and buy the company for are the … ones you try to maintain, sometimes, when you take a step back, might be the most difficult to achieve…. "I love that entrepreneurial spirit. But, oh, by the way, I want you to know, you guys, you gotta … fill out tax reports, and I gotta have budgets, and you're gonna have a strategic plan. I'm gonna ask you to do all this stuff and, by the way, you're gonna have to start reporting this different, reporting that different," and by the time you … sit back and you … envy this entrepreneurial spirit, you spend the next two years trying to wrest it away from them [laughs].

Clearly there were differences between the combining organizations, but the question remains whether, given a different approach that might have created and sustained a stronger commitment to the stated strategy, the combination process could have maintained the healthy adaptation achieved during the first three months. For example, one of the acquired principals described above how he became familiar with the “collective corporate culture” of the acquirer with the help of an integration manager. What interrupted this adaptation process? I asked one of the acquired principals to continue his narrative of the first year to find the answer.

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| Keith | Okay. Now we have made it to summer. Started to lose our way. Can you remember what happened as we got about six to nine months into the deal?… |
| Acquired Principal | [E]ach month that goes by … with the accounting and inventory is mercurial, is the way I’d like to say it, based on lack of standards [i.e., product cost standards, which would have dramatically increased managers’ abilities to analyze and address operating issues]. What happened is some months were horrendous and other months were outstanding. |
| Keith | Uh huh. |
| Acquired Principal | So each month that would be up or down, even on a an up-month, we would—I remember on one very good month, and I can’t really pin it with a time, that we were told, ‘We choose not to recognize the up nature of this month. In fact, it can’t possibly be correct, so we are going to take $150,000 of your EBIT [i.e., earnings before interest and taxes] for this month, and we’re gonna put it in the reserve, so your not going to get to keep it, because we think ultimately that’s not real.’ |
| Keith | [laughs] Okay. I don’t remember that happening. I’m sure it did. |
| Acquired Principal | It may have been after you were not part and parcel to what was going on. I think it probably was. |

As this passage shows, even after six to nine months of integrative activities, the combined organization lacked a common language, which could be used to understand the performance of the acquired organization. Given the "mercurial" nature of the financial reporting system, which was entirely acceptable to the two principals prior to acquisition, there was no shared system for establishing a common understanding of neither how the acquired organization was performing nor what actions should be taken.

After eight or nine months of the integration process had passed, significant tensions were apparent between representatives of the acquiring company and the acquired principals. For a time, I attempted to mediate these disputes. For example, I raised strategic issues during executive staff meetings in which I was asked to make monthly progress reports on the integration process. However, there were divisions among the executive staff regarding the integration strategy, the acquired principals did not attend these meetings, and these brief presentations did not provide an effective forum for airing and resolving these differences. Further, I had been given the assignment to assist with the integration of the NYC company by the division president, but I reported to a functional vice president who advocated a much quicker integration than the president. The lack of a venue for exploring the possible emergence of the original integration strategy combined with the reporting structure in which I was placed conspired to create a dysfunctional silence regarding the options we faced, and the shared construction of what the NYC acquisition was to become effectively ended.

As these unresolved tensions mounted, my effectiveness as an integration manager eroded. One of the acquired principals puts it this way:

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| Keith | Was there a clear integration manager identified, that is, someone with the overall responsibility for the integration process? What was the effect of either having or not having someone in this leadership position? |
| Acquired Principal | Well, I think you were that person. I think the answer is that we had it, but not exactly in that form. |
| Keith | Uh huh. |
| Acquired Principal | I think we had a translator, I think we had a … facilitator, a bridge to bring the two cultures together, but I don't think you had the responsibility to do anything, ultimately. So, I think … what we had was very valuable, and I am not saying that simply because it's you and I on the phone. I think it was very important but I think ultimately it … disappeared… |
| Keith | Uh hmm. |
| Acquired Principal | …before it could really become important, and the responsibility that I talk about is … someone, I mean, it's ultimately someone that has to come in and be part of the acquiree. Not someone who is coming in to be part of the acquirer. |
| Keith | Uh hmm. |
| Acquired Principal | And that means it's incumbent upon you, the person that comes in, to be able to advise the acquirer what would be necessary to maintain value. |
| Keith | Uh hmm. |
| Acquired Principal | And, I think at some point we lost that. You were ultimately taken off this role, and we then went through a lot of ups and downs…. [One of the acquiring company's vice presidents] then became the champion |

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| | of our company, and each vice president was assigned to one of five new acquisitions. |
| Keith | Uh hmm. |
| Acquired Principal | That really didn't go anywhere. Then [a director of operations from the acquiring company] was put in, … [but] he resigned a month later. Then [his replacement] was put in that role and [he] brought up, … [a plant manager from another facility]. |
| Keith | Yep…. I want to get a little bit, if I can, of whatever contribution I did make in the time that I did work with you. Not that I want to blow my ego up, but I want to try to establish the value of having an integration manager. |
| Acquired Principal | Well, start with the most basic [thing], which is the very first meeting we had when you were there simply to tap away on the keyboard, trying to keep track of the … minutes of the meeting just so we could all do what we said we were going to do and participate on that level. I think that, in and of itself, was very important…. [T]he requirements that come from the acquirer are [emphasized] *so* many, *so* frequent and so, so *plentiful* that it is really an issue of having someone there to help to prioritize so that the private people can really understand what is really important to the acquirer. |
| Keith | Uh hmm. |
| Acquired Principal | [The division president] needed certain things, [the VP, finance] needed certain things, [the VP, operations] needed certain things, everyone needed certain things, and it was really an issue of being able to sort out the priorities, and I think that is important. And I think most important is to have a voice that can dissent rather than be a viewed as a rich, private, independent acquiree who's got fuck you money and its very easy for everyone at [the acquiring company]□if I had to—I lost track of how many times this was said to me, but, everyone has virtually said it to me: "…you can say 'fuck you' to [the senior management], or you can say 'fuck you' to whoever, because you can." There's a difference between being a dissenter and telling someone to go scratch because I've got money. It's important to empower people to dissent without punishing them. I think you began to play that role, but it wore off, not because of you, because they just didn't want to hear it anymore, in my opinion. |
| Keith | Why is it important to have the voice to dissent? |

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| Acquired Principal | Why is it important? |
| Keith | Yes. |
| Acquired Principal | Well [pause], because … when everyone's involved, it's still important to dissent because one person can make a wrong decision very easily. But more importantly, when the people that are making … the decision … [are] one thousand miles away and effectively an absentee landlord, it's really dangerous to dictate decisions without encouraging dissenting opinion as a means of educating yourself. |
| Keith | Yea. |
| Acquired Principal | And I will say that I never met anybody that was as flexible and as willing to reverse an opinion when … necessary as [the vice president of finance, who was assigned responsibility for the NYC integration process after I was removed]. He was a great man without ego and without need for power and I give him a lot of respect. He also forced many things down my throat which I disagreed with, but that was okay because there were times when he was willing to say, "You know what? I think it will hurt the business. I think he's right. I'll reverse my opinion." |
| Keith | Yep. |
| Acquired Principal | And that counter opinion is important. Otherwise, you end up with a bunch of blackhawks in the middle of a desert. Somebody made a shitty decision and things go bad. |

There is much in this passage that speaks to effective M&A integration. First, the facilitative contributions of a focused integration manager are many, and are of great value. As noted above, after my departure from this project a series of others became involved but none were provided the opportunity to focus on the combination process. Second, the contributions of an integration manager will be limited unless the role is provided the power required to enact change. Third, it is critical to establish an environment in which those involved "have a voice that can dissent" so that the social construction of the combining organization can continue without certain, key voices becoming silenced. Finally, when those involved use the relational perspective and work for the good of the combined organization, as did the vice president of finance who assumed responsibility for the NYC acquisition after my departure, even difficult issues can be resolved. As noted by the acquired principal, the vice president "forced many things down my throat which I disagreed with," but by maintaining the opportunity for open dialogue they were able to come to terms with these difficult issues.

My transition out of the role of integration manager for the NYC company began after about nine months of the integration process. An operations manager from the acquiring company was selected to relocate to the NYC area to assist the acquired management staff in making the transition to the acquiring company's manufacturing shop floor and order processing systems. At the about this same time, the division president sent a letter to the acquired principals expressing displeasure about the unpredictable financial results.

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| Acquired Principal | I have a letter that I have saved, that's framed. And the letter is from [the division president]. It was basically nine months, ten, ten months after the acquisition and it's one sentence: '[the interviewee named himself and the other acquired principal], you must be as embarrassed as I am as to how horrible the earnings have been at [the acquired company] and I'd like to know what you are going to do to get this thing turned around.' |
| Keith | [long pause] Tell me about that if you can. |
| Acquired | Well [pause], if you know you're buying a company that doesn't have accounting systems in place and you know your buying a company |

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| Principal | … [where] inventory has been a free floating type number and you know you're buying a company that has all these great things that accrue to it because they are so fluid and free and entrepreneurial. Then, you have to go into it knowing full well that it is going to take some time to get it into a structure … where things will be accurate as a conglomerate would define it as being accurate and useful information. So, when you do things like move $10,000 a month for rent for the showroom in the city where [the sales agent] is, and you move it over as, from a corporate expense to an … expense [charged to the acquired company] and you subtract $40,000 a month in goodwill amortization as a non-cash deduction and so on and so on and so on. On top of everything you knew going into this to make that statement, ten months down the line, … pretty much says it all. What is says is, all this lip service and all this bullshit about letting you be who … it is that you are, and the fact that we sold $8 million worth of [the acquiring company's products] in the first year that were never sold before. It's all bullshit. We only want to talk about the bean counter. No offense. |
| Keith | [laughs□I have a background in finance] None taken. |
| Acquired Principal | And the black and white nature of what it is on paper that makes you good or bad. Again, just totally gives whole lip service to the content of the worth of something that's intangible. The entrepreneurial philosophy. |
| Keith | Uh hmm. |
| Acquired Principal | So, the negotiation process was outstanding. It was everything you would hope it to be. Unfortunately, it really doesn't continue post acquisition. |
| Keith | When did it start to change? |
| Acquired Principal | I think it pretty much changed with that letter, to be quite honest. I mean that was the first time when the honeymoon was over. |
| Keith | Got it. That was about the same time I got removed. |
| Acquired Principal | Yeah. Huh. |

As this passage shows, despite the division president's advocacy for the "go-slow" approach and respect for the entrepreneurial spirit of the acquired principals, even he became involved in dialogue which undermined the momentum of the combination effort. I did not ask him about his intentions about sending this letter, but it seems likely that he was not fully aware of its impact. From a constructionist perspective, what was required were “ceaseless conversations—negotiations, comparisons, and mutual explorations” (Gergen, 2000, p. xxiii) in which the acquired principals and the senior management team of *Electrical Manufacturer* would have established and maintained a common way of understanding what was happening.

### *Later Integration Efforts (November, 1998-April, 1999): “I Want You to Break Their Backs”*

The division president’s letter, my reassignment to other responsibilities, the operations manager’s reassignment to the NYC company, the initial steps required to install the acquiring company’s information systems, and the acquired company’s first physical inventory all occurred at about the same time. The physical inventory process required closing the facility for several days so that all inventory stock could be counted. As with many other processes introduced by the acquiring company, this was a new experience for the acquired managers. For them, talking a physical inventory seemed a time-consuming, expensive proposition without clear benefits. However, physical inventories are a way of life for large, publicly traded organizations, so the acquiring company imposed this process.

The operations manager and I treated the preparation for and execution of the physical inventory as a transition project. The stakes were high, as any shortages discovered during this process would have been immediately charged as expenses on the acquired company's income statement. Fortunately, the physical inventory process revealed a surprising accurate inventory count given the relatively crude accounting and operations procedures in place at the acquired company. Still, the many transitions and the tone of the division president's letter were beginning to dampen the enthusiasm that existed at the beginning of the integration process. I asked one of the acquired principals to recount the experience of receiving the letter.

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| Keith | Okay. So, now you get the letter. Tell me as much as you can. Who, who got the letter, who opened it, who told who? |
| Acquired Principal | It was duplicate copies of the letter sent to [the other principal] and myself. |
| Keith | Yea. |
| Acquired Principal | Same letter. |
| Keith | 'Kay. |
| Acquired Principal | Same day. That's how it was sent. |
| Keith | So, just walk me through it. What happened? |
| Acquired Principal | [The other principal] walked in and said, "Did you see this"? I said, "No." He showed it to me and it was on my desk. I just hadn't opened it yet. We were both, needless to say, quite upset about it [pause], and [it] led into a lengthy discussion about whether or not it was fair, whether or not it was accurate, and so on and so forth. We spent a lot of time trying to defend ourselves, which in hindsight was absurd. I spent a lot of time trying to justify things like the dollars we were spending on producing [the acquiring company's] product [which] were not getting accounted for appropriately. We certainly weren't getting any of the revenue, but we certainly were getting our unfair |

share of the expense.

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| Keith | Uh hmm. |
| Acquired Principal | That's … one reason why our earnings number was so shitty, amongst others like non-cash deductions that didn't exist … prior to the acquisition. |
| Keith | Uh hmm. |
| Acquired Principal | If you buy a business thinkin' your gonna make 10% [pretax earnings as a percent of sales] and then you get upset when its only 5% but you didn't run … your *pro forma* numbers to include those kinds of non-cash deductions, then who's really to blame? |
| Keith | Yea. So can you just keep going? What changed with the letter? |
| Acquired Principal | I would say ultimately what changed is that—I mean it was kind of a non-issue for [the other principal]. [He] was just there to … help the transition, but he had no … hopes of … making it a more long time journey out of it, but I did. I think what changed for me ultimately was the realization that this was not going to be a long-term future. |
| Keith | Uh huh. |
| Acquired Principal | And I think it continued as that year came to a close and I was at [the annual management meeting] yet again, and [was] not … in the spotlight anymore and my only interaction with … [the division president] was passing outside the bathroom and [him] saying, "Hey, … what are we going to do to get your earnings back on line?" And it's funny because I would always speak to [the other principal], 'cause he didn't go to these things, and he'd say, "…what does [the division president] say about this? What does [he] say about what they want to do with the inventory days? Why don't you just talk to [him]?" "You, you don't really understand. [The division president] is not part of our life anymore. Alright? He is not who I talk to anymore. He only wants to know why our earnings suck." |

Once again, there is evidence in the passage above of an increasingly dysfunctional silence. The division president, who was perceived as a phone call away at the beginning of the integration process, came to be perceived by the acquired principals as “not part of our life anymore.”

The operations manager continued to assist in the transition of information systems and other processes at the acquired company. As one of the principals explains, the implementation of the systems was among the most difficult transitions they faced.

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| Acquired Principal | …[P]robably … the most difficult event for me was [pause], probably the implementation of [the shop floor management and order processing information system]. |
| Keith | Uh huh. And just to remind me, how far into the process was that? How long was that? |
| Acquired Principal | …My guesstimate would be about a year and a half…. [T]he marching orders that I received, or what I thought my job was during that integration phase, was to bring us into an acceptable alignment with the [acquirer’s] philosophy, … while doing as little damage as possible to the concept of team and the concept of cooperation, … the concept of caring about the company. So, I was trying to walk a fine line, which was to do what [the acquirer] needed—and … legitimately needed as a … result of its size—and still maintain the personality of this company that had just been acquired. |
| Keith | Mmm hmm. |
| Acquired Principal | It was possible to do that for a while, but … it’s my feelings from the outside looking in now—because I really don’t have any contact any longer—is that … any attempt to do that been long since abandoned. |
| Keith | Uh huh. So, so, what happened then? Now we’re about, let’s just say, nine months or a year into the integration process. I get removed, [the operations manager from the acquiring company] was installed, you installed the systems, and what happened from then on? |
| Acquired Principal | My perception is that we lost [pause], the honeymoon was over. We lost our connection to [the division president], the father figure. |
| Keith | Huh. |

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| Acquired Principal | He moved on to other things. |
| Keith | Uh huh. |
| Acquired Principal | And somehow in the early phases, the things that needed to be done were done with an eye to holding together the spirit and … culture of this small division in a large company, and there was, I wouldn’t say lip service, because I would say that there was at that point in time a genuine desire to integrate [the acquired company] and still continue to keep the flavor of [it] alive. |
| Keith | Mmm hmm. |
| Acquired Principal | After you were removed and we lost our connection to the father figure, decisions were made and implemented with—from the perception of the people at [the acquired company]—no concern any longer at all about preserving the flavor, essence and whatever expertise [the acquired company] had. It was no longer any apparent attempt to maintain [the acquired company’s] culture at all. As a matter of fact, there seemed to be a very real attempt to subdue it and completely [absorb and overwhelm] the organization, and that was distressing, disturbing, upsetting, and the end process of which, from the outside looking in, has pretty much totally destroyed employee morale. It really has, big time…. |
| Keith | [T]ell me the effect on the performance of [the acquired company] as a result of what you just told me…. |
| Acquired Principal | The results of the performance of [the acquired company] have been negligible, at the moment, because we are very early on in the process now. |
| Keith | Mmm hmm. |
| Acquired Principal | Have been negligible. The comments that I hear, on the rare occasions that I go into the office—well, let me back up a little bit…. I’m not foolish enough to think that prior to this acquisition all of my employees loved me, loved the company, did their level best to support, make sure the company prospered. That’s foolish. However, there was a collective personality that existed in the company, which was support of … the company, which cared about the company, and that was an overall collective personality. Of course, we could find hundreds of individual occurrences where it would be hard to make |

that case, but people are people. But, there is, I believe, that collective personality which was supportive. I now read a collective personality in that organization, which it's no longer we, it's us and it's them, and fuck them.

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| Keith | [laughs] Uh huh. |
| Acquired Principal | We'll do whatever they say, but we won't do anymore, and there is almost a sense, I've got to be careful, 'cause I'm filtering this through my head… |
| Keith | Yea. |
| Acquired Principal | …but there is almost this sense, 'Well, Godammit, I hope they fuck up.' |
| Keith | Huh. How, how can the effect on performance be negligible if that attitude is widespread? |
| Acquired Principal | Because it's too early in the process. There will be. |
| Keith | Ah, I see. |
| Acquired Principal | It's too early in the process, but there … will be. I … believe there will be. I believe it's going to be hard to keep key personnel. |
| Keith | Huh. |
| Acquired Principal | And, yea, I believe that … there will be an effect on the performance. |
| Keith | Let me try to provoke you. |
| Acquired Principal | Yes. |
| Keith | If the effect on performance is negligible, and if [absorbing and overwhelming] the business makes it easier for the headquarters people to manage, maybe it's the right thing to do. |
| Acquired Principal | I wouldn't say that it's the right thing to do, but given the state of the art of management science, it may be the necessary thing to do. |
| Keith | Huh. |

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| Acquired Principal | Could there be a better way to do this? Probably. Do we know of a better way to do it? Maybe not. I think I would rather … characterize it that way. Not as right, but as … necessary. |
| Keith | Okay. What if I gave you a blank sheet of paper right now. It's nine months into the deal, we're shipping [the acquiring company's product] into Manhattan, we're talking about systems and we know we have to do at least the preliminary work to get [the systems] up. What would you like to have seen happen? |
| Acquired Principal | At that point in time? |
| Keith | Yea, and … how long would you have needed an integration manager? |
| Acquired Principal | …Probably … when we were involved in the [information systems] startup, I don't think we really needed an integration manager any longer. |
| Keith | Mmm hmm. |
| Acquired Principal | I think that there was enough water under the bridge so we could have cut it by ourselves. What would I have done differently in the installation process of [the information systems]? I thought it was handled pretty well. |
| Keith | Good. |
| Acquired Principal | I thought it was handled pretty well. It went … in by stages. It went in, I thought, surprisingly cleanly. |
| Keith | Mmm hmm. |
| Acquired Principal | Not the most user-friendly piece of software I've ever seen. |
| Keith | Right [laughs]. |
| Acquired Principal | But I would have not altered or modified the way the [information] system went in. I thought it went in pretty clean. |
| Keith | And what did [the operations manager from the acquiring company] contribute to that? |

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| Acquired Principal | An enormous amount. |
| Keith | Oh [I was surprised because my sense was that this had been a troubled relationship]. |
| Acquired Principal | An … enormous amount. |
| Keith | Uh huh. |
| Acquired Principal | [He] knew what the system required, and I knew where our deficiencies were in providing that for the system and so did [the other principal]. |
| Keith | Uh huh. |
| Acquired Principal | And between … [the operations manager] getting the grunt work done and telling us what we needed to have for the system, and us telling … [the operations manager] that, "Well, we don't have the personnel to do this and we don't have the culture to do this, this way. Maybe we could work around this a different way." It was very, very important to have had [the operations manager] there during that process, because we didn't even know what the system required, in terms of support and … data flow. |
| Keith | So when you tried to engineer a work-around, what was [the operations manager's] reaction? Did he cooperate? |
| Acquired Principal | Yes, he did ... in the early stages. |

By the end of the year, my transition was completed and I gradually lost contact with the acquired principals. We talked occasionally and, from a distance, it seemed that the transition was continuing without serious impediment. The acquiring company's information systems had been installed without crippling the acquired company (as occurred in the previous acquisition), and the operations manager seemed to be settling in. However, as one of the acquired principals explains, the actuality was less positive.

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| Keith | Okay, so we get through nine months with me, … and we're shipping into Manhattan, and you've got relationships built, and you know the language, and you know the culture, a little bit of [the acquiring company], [the operations manager] comes in, helps you install the systems. Everything sounds pretty good so far. |
| Acquired Principal | Mmm hmm. |
| Keith | What then? |
| Acquired Principal | Then [long pause] some of the top management of [the acquiring company] … decides, "Let's define what [the operation manager's] role was in the beginning." |
| Keith | Uh huh. |
| Acquired Principal | [His] role was to come in, not necessarily be director of … operations, but we viewed [his] role as someone who would be able to assist [the acquired principal who was expected to remain with the company] in the management of this production facility, with the knowledge of what [the acquiring company and its] systems needs to have. |
| Keith | Mmm hmm. |
| Acquired Principal | All of a sudden, we find that [the operations manager] begins to believe that he is the [pause] director of this operation… |
| Keith | Mmm hmm. |
| Acquired Principal | …and he perceives, most likely because he was instructed to perceive, his role with an entirely different perspective. |
| Keith | Mmm hmm. |
| Acquired Principal | He now perceives himself as the director of this division, not as a liaison and a person who was going to take care of safety concerns, installation of safety equipment, installation of [information] systems, teaching us how to handle production under … [the acquiring company's information systems]. All of a sudden, his view, his perception of what his job was changes, and he becomes director of |

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| | operations [pause], and that was problematical, 'cause it created a lot of friction, I believe, between [the acquired principal who was expected to remain with the company] and … [the operations manager]. |
| Keith | Mmm. Did you ever speak with [the division president] about this? |
| Acquired Principal | No. [He] was pretty much, at this point in time, becoming unavailable. |
| Keith | Hmm. |
| Acquired Principal | And [pause] that's where we started to get into some serious philosophical differences. |
| Keith | Who's *we*? |
| Acquired Principal | We, the organization. |
| Keith | Uh huh. |
| Acquired Principal | Or maybe we, [the other principal] and I. I'm not sure. |
| Keith | Uh huh. |
| Acquired Principal | Things like [pause], see, here was the difficulty for us, and that is, this is basic management theory. Sub-optimization of goals does not necessarily reinforce the major goal. |
| Keith | Mmm hmm. |
| Acquired Principal | Nothing unique to that. Any freshman MBA will spout that to you. |
| Keith | Mmm [laughs]. |
| Acquired Principal | But take inventory, for example. |
| Keith | Mmm hmm. |
| Acquired Principal | Somebody, with no familiarity at all [to the local situation] says you've got four million dollars worth of inventory. By such and such a date I want it to be three million. |

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| Keith | Mmm hmm. |
| Acquired Principal | End of discussion. Is that a correct decision? Well, it's a correct decision in the sense that he is a guy with a director of operations and he's got people above him saying "What the hell is this [acquired company] doing with so much inventory?" And if he doesn't reduce that inventory number, they'll find someone else who will, because they want that inventory number … decreased. |
| Keith | Mmm hmm. |
| Acquired Principal | If [the operations manager], or whoever is director of operations doesn't do it, someone else will be found who does it, because [one of the senior managers of the acquirer] is being marked on whether or not he meets his goals. |
| Keith | Mmm hmm. |
| Acquired Principal | The concept of whether or not the goal was a correct one, in reinforcing the overall goal, is never discussed, nor can it be. |
| Keith | Nor can it be. |
| Acquired Principal | No, it can't, because it's the very nature of the reward and punishment structure of the large corporation … because they have an inventory number to meet, and they're desperate to meet it, because they want their bonus… |
| Keith | Uh huh. |
| Acquired Principal | …or more importantly, they want their job…, continued employment and perhaps a bonus. |
| Keith | Uh huh. |
| Acquired Principal | So the inventory number is a goal that has to be met. There is no discussion about the nuances of an individual organization whether or not the nature of that organization might require more inventory than the average inventory turns of other divisions… |
| Keith | Uh huh. |
| Acquired Principal | …of the corporation. Nobody can have that discussion even. |

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| Keith | What would happen if you tried to have that discussion? |
| Acquired Principal | I think if we tried to have that discussion … the director of operations … would roll his eyes and say, ‘They don’t get it. We’ve got to reduce inventory. They don’t get it, and they can’t do it because they don’t buy into it, or are not capable, or for whatever reason, they can’t do it, … but I will get it done, ‘cause that’s how I’m measured.’ |
| Keith | Yea. Yep. |
| Acquired Principal | And somewhere between [his] position, and if would you like, [my] position is probably the right position, but it’s the nature of the large organization, as such, that it can’t happen. That’s very, very frustrating to a small, acquired company. |
| Keith | Uh huh. Imagine for a moment that it could happen. I just heard you say, “Somewhere between [his and my] positions may be the right position.” What would have to happen to get there? |
| Acquired Principal | So that that could be done? |
| Keith | Yea. |
| Acquired Principal | Gosh. Whoaaa. You’re talking about basic fabric here now. Probably the philosophy of how an employee is measured, viewed, compensated and given the most important part of all of it, which is some degree of respect. The basic fabric of how that process occurs would probably have to change. |
| Keith | Change to what? |
| Acquired Principal | Damned if I know, honestly [laughs]. |
| Keith | [laughs] Yea. |
| Acquired Principal | Damned, damned if I know. |
| Keith | Okay, that’ll be my work then. |
| Acquired Principal | Alright. |

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| Keith | That’s what I’ll try to do with this dissertation. |

The other principal tells the story like this.

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| Acquired Principal | So … that’ll take you through, basically, January, February of the following [year], twelve, fourteen months later. |
| Keith | Well, back up a little bit. |
| Acquired Principal | Uh hmm. |
| Keith | Round about October, I was getting’ removed and [the operations manager from the acquiring company] was getting installed. |
| Acquired Principal | Right. |
| Keith | What was that like? |
| Acquired Principal | Well, I mean [the operations manager] was, that’s—I think when you are layin’ on the couch and what’s really bothering you about your mother doesn’t come up until like forty minutes into the conversation [laughs]. I mean we knew the transition that was gonna take place on a systems level, computer level, production level was something that we were not going to be able to do on our own in terms of making them happy. |
| Keith | Uh huh. |
| Acquired Principal | We asked for that help, if you remember, and we went on a search and it included [certain operations managers at the acquiring company] and other … people like that. |
| Keith | Yea. |
| Acquired Principal | And, … it ended up being [the operations manager] because we felt that it would probably be the best fit, but in reality, it’s funny, in hindsight [the vice president responsible for this operation] didn’t want [the operations manager] to be the guy, because I guess he was not on his list of high potential people at that time. But somehow it worked out, and I guess [the vice president] relented and said, “Yes, [he] will be the guy.” Within three …, four months by that following |

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| | Spring when [the operations manager] was around … [the vice president] had his arm around [him] and said, “You’re my man. You come with me to the promised land. I want you to [emphatically] break their backs.” |
| Keith | Tell me about that. How do ya, where does that statement come from? |
| Acquired Principal | It comes from punishing the dissenting opinion. |
| Keith | But how do ya, what, where did you pick up that statement? Do you... |
| Acquired Principal | That came from [the operations manager]. |
| Keith | ‘Kay. |
| Acquired Principal | So, I tried very hard to help the transition, and … as it started to unravel and I was … told things like, “We don’t want you on the [manufacturing] floor.” I was told, “You are not allowed on the floor.” I was told, “You’re not supposed to be a part of the operational side of the business, and we only want you to sell. I was told to break your back. I was told to break your relationships with your employees so that they don’t listen to you anymore.” And that came to me from, directly from [the operations manager]. Well, it actually, it came to me from my employees first. I didn’t believe it. I never said anything about [it then], but it was then confirmed to me from [the operations manager]. |
| Keith | Did you ever talk to [him] about this? |
| Acquired Principal | [He] is the one who told me about it. |
| Keith | So… |
| Acquired Principal | [The operations manager] is the guy who said to me, “I need you to stay involved. I can’t get this done. It’s absurd that I would even suggest that you don’t go on the factory floor.” It was very much a, “Hey, I need you, but don’t fuckin’ piss all over me. I need to get my own things done the way they’re asking me to get it done but I need you to continue doing what you’re doing so that the business doesn’t fall apart.” |

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| Keith | So what happened? |
| Acquired Principal | Right on the heels of that, ultimately, we acquired [another business in close geographical proximity]. |
| Keith | Yea. |
| Acquired Principal | That … was primarily the beginning of the end, for me personally. I was told … on the QT by [a senior manager], “Be prepared to take the role at both companies. Go out and hire someone to replace yourself at [your company] so you are free to run back and forth between two companies. Get underneath [the principal of the newly acquired business], figure out where the skeletons are buried. Be prepared to transition there because it is not going to last with him.” It didn’t. He was kicked out. [But then the operations manager] was put in place, and, really, that was the end of my relationship with [him]. The power base really became something very operationally driven, and I started to lose my ability to contribute, emotionally and … tangibly. |
| Keith | Uh hmm. |

Regardless of whether the vice president responsible for the operation ever made the “break their backs” speech or not, at this point it is clear that the divisive rhetoric employed by those involved would make difficult or impossible the kind of constructive dialogue advocated in this thesis.

The operations manager left the company shortly after that, apparently for personal reasons. A marketing manager described the situation as follows:

> Well, [the operations manager], when he took over of operations he, as far as I can tell, had very, very little power. He … was over operations, but he really did not run the plant. I mean [the acquired principals] still at that point … [were] running the plant. So he was more of a figurehead …. from where I can tell, when he was running that … location. Without a … real firm leader to … integrate quickly, it

> happened very slowly…. [T]he transition … was very smooth, but it was very slow.

The conflicts and tensions occurred not only in the operations arena, but also in overlapping product offerings in certain of the acquiring and acquired company's product lines, as explained by the acquiring company's vice president of sales.

> [F]or a while there I was very protective of [the acquiring company's brand] and said, "Well, … why do I want to want to ruin my [brand's] business?… [E]specially if I'm making … better margin on [our brand], too…. [B]ut in the … end of the day, as long as somebody is making margin on the products, who gives a shit what they're selling?"

The vice president of sales then explained that he was able to negotiate an agreement regarding the territories in which each brand would be sold by engaging in dialogue with the acquired principals and the sale reps responsible for these territories.

> Well, we sat down and we talked to [the sales reps]. [They] said that there was a … distinct preference for selling [the acquired brand] in certain markets and we said, 'Okay, fine,' and [we'll keep our brand in] Long Island, [the acquired brand in] Jersey and Manhattan, and we'll see what happens over time. I said, "I just don't want to cut out the [our brand] products altogether." And … I'll tell you what, … [the acquired principal] is an entrepreneur and he's not much of an organization guy…. [H]e's more of a cowboy, but I'll tell you, he is smart and he understands the notion of … what's best for [the acquiring organization] is really what's best for [the acquired company].

As this quotation shows, when the parties involved engaged in dialogue, it became possible to construct compromises that were acceptable to both parties. A key factor in motivating the parties involved was the identification and acceptance of a superordinate goal that bound them together as teammates rather than adversaries. As the vice president of sales said, when the parties involved arrived at the conclusion that “what’s best for [the acquiring organization] is really what’s best for [the acquired company],” the possibility of reaching these compromises emerged.

### Overall Assessment of the NYC Acquisition

The NYC company remains a part of *Electrical Manufacturer* to this day, and is led by a new director of operations. Although it retains a culture unique to the NYC area and its local history, it is generally viewed as a successful integration effort. As a marketing manager from the acquiring company who was extensively involved in the integration effort explained, knowledge was transferred from both the acquiring company to the acquired and vice versa

> because [the NYC company] had a very [extensive] control over [sales in] New York which we did not have,… and when we purchased them we grabbed that knowledge. But in turn we gave them product, and we gave them knowledge of manufacturing and how … to make their business controlled better, and maybe even more successful.

However, this marketing manager also explains that the integration process took more time than might have been necessary:

> [W]hen I was involved with [the NYC company] it seemed to draw out … to two or three years worth of transition time, [which is] more than … I would think it would need to be. But it took that long because of the nature of the company and the business.

The vice president of operations from the acquiring company echoed this sentiment in describing the information systems implementation process:

> Now, where I have been successful [in M&A integration efforts] is in sheer negotiation, relationship building with principals to allow me to accomplish things within the operation that I had convinced them would make the company stronger…. [O]ne [example] … would be … at [the NYC acquisition], convincing the principals … that we could effectively put a shop floor management system in their factory that would give them greater control over their inventories, greater control over the process flow through the shop, give me visibility for problem solving, analysis and measurement. They were deathly afraid of doing anything that would, as they perceived it, … slow down their ability to serve their customers. And, of course, they're listening to any war stories out there about conversion and manufacturing floor systems, which are nothing but nightmares, and it took months and months and months, and finally assigning one of my staff, who they became comfortable with, to that operation, relocating that person into that operation, who they trusted, to install that system and make sure it ran properly. Now that is one hell of a lot of work to do [for] what I consider to be blocking and tackling. Had we had that agreement up front, that I just described, I wouldn't have had to spend all that time cajoling, negotiating, and convincing, months and months of my time, and the president would not legislate it. He legislated it to me, but not to the principals of the other business. "Work with them to get this done."

As this passage shows, much of the difficulty, frustration and delays associated with the NYC integration effort stemmed from the lack of a clear integration strategy, the lack of consensus regarding the priority and timing of integrative actions, and the lack of consensus regarding the need for integration in certain areas. For example, the vice president of operations perceived the acquired principals as "deathly afraid" of a shop floor management system that—in his view—provided clear benefits. In contrast, one of the acquired principals perceived this action as one step in "the minutia of implementing an acquisition" that crippled their ability to effectively compete. Further, the vice president of operations described the transferred operations manager as someone "who they [the acquired principals] trusted." In contrast, one of the acquired principals viewed the operations manager as one element of a "power base [that] really become something very operationally driven" which led to the loss of his "ability to contribute, emotionally and … tangibly." Finally, although not mentioned in the passage above, the vice president of operations imposed inventory targets perceived as closed to discussion of "whether or not the nature of … [the acquired] organization might require more inventory than the average inventory turns of other divisions…." Consensus about these and many other issues could have been developed either during due diligence or the integration process, but this largely did not occur.

I asked one of the acquired principals about the importance of developing a shared vision for the integration process, which I described as "getting everyone on the same page."

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| Keith | Imagine that some genius … comes up with a way of getting everyone on the same page. Of what value would that be? |
| Acquired Principal | [Pause] I think, well, let's not say everybody on page, at, well, it, it, for the purposes of the discussion, okay, everybody is on the same page. Everybody is flexible and everybody is working for a common goal. That has been the goal of management forever, and you would have one enormous, powerful, excellent company. |
| Keith | Why? |
| Acquired Principal | Why would you have, why? Because you would now have a company that was very good at what it was supposed to be doing. Again, basic management philosophy. What is a company? It's a group of people. If they, like any other piece of machinery, can be made more efficient, you can own the world. |

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| Keith | And what's the connection between people having a common goal and what you just said?… Who cares about havin' a common goal? |
| Acquired Principal | Oh, everybody, … it's probably the single most important thing that defines a good performing company from the … poorly performing company. |

I asked the other acquired principal if we created economic value through this acquisition. His response:

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| Keith | Do you think we created value? Economic value? You know, acquisitions are supposed to be about synergistic combinations of things that create economic value. One plus one equals three. |
| Acquired Principal | In a vacuum, the answer would be yes. On one side of the equation only. Was there incremental value added, economic value? Absolutely. |
| Keith | How? Where? |
| Acquired Principal | I think that the union platform, which was something they were lacking in the commercial side of the marketplace, gave them a platform where they could participate in commercial work that was never available to them otherwise. |
| Keith | Uh hmm. |
| Acquired Principal | And in reality, I think it had a lot more to do with perception than reality, but perception, in this case, became very important because the fact they had a local factory with local manufacturing that was union gave everybody the immediate impression, "Hey, wow, their ability to service this local marketplace improved greatly by this acquisition." And I think as a result of that we received orders as a default just because people simply perceived them to be more user friendly because they had more local production, local, political union contacts. |
| Keith | Uh hmm. |
| Acquired Principal | That's where the incremental value came from, in a vacuum. |

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| Keith | What does “in a vacuum” mean? |
| Acquired Principal | What it means is there’s a … leak in the boat, and … there is more water coming in than you can bail out. In this case, bailing the water out is … keeping yourself afloat and keeping the boat steady, but we had policies put into place, which … decreased the value of the acquisition. And … I think the real decision about whether or not there was net incremental value really has to be analyzed based on … both sides of the equation. What did you do that was good to the company, and what did you do that was bad? |
| Keith | Uh hmm. |
| Acquired Principal | And the commercial architectural end of the business, which was never really available to the local marketplace before, clearly was an incremental adder. |
| Keith | Uh hmm. |
| Acquired Principal | But the credit policies and accounting policies, computer policy and what it did to impact the ability to run the business was a negative incremental detractor. |
| Keith | Uh hmm. Can you imagine a scenario where we would’ve created more value? |
| Acquired Principal | Yes. |
| Keith | What would that have been like? |
| Acquired Principal | Well, I can … throw out a couple of them. But, number one, … we average, averaged, in past tense, 25 to 30 will calls a day. When we went onto [the acquiring company’s information systems] all of our orders, every single order, went on credit review, not credit hold, but credit review, which means that every order had to be viewed by someone at [the acquirer’s headquarters] for the order to be released to production. |
| Keith | Uh hmm. |
| Acquired Principal | Because we enter 150 orders a day, the decision was made that they could only do that twice a day, ten o’clock in the morning and two o’clock in the afternoon. So, for various customers that are in a very small geographical circle around our factory that came and did will |

calls all the time as a major advantage, so they didn’t have to have inventory on their shelf, they could just run down while someone was at their store and just pick something up. If they happened to show up at 10:15, we could not enter that order and give them the merchandise until after two o’clock in the afternoon.

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| Keith | You are going to get tired of hearing me say this, but how did that make you feel? |
| Acquired Principal | Again, very simply—by the way, these were all customers that were already in the system. They were not customers that [the acquired company] brought to the party.  They were  … customers [of the acquiring company] for ten, twenty, thirty years. |
| Keith | Yeah. |
| Acquired Principal | There was a history there. They were not simply … customers [of the acquired company] where … it was necessary to develop some statistical history about … their credit worthiness. Those … judgments could have been made. So if somebody was willing to make that decision, then we wouldn’t have suffered the diminution … [of] the perception of our serviceability. So, how that makes me feel is that you have an unknown, uncaring entity with no connection to self-performance as it relates to customer service standing, like the wizard behind the curtain who is not held accountable for a decrease in sales because of that faulty decision. So it makes me feel exactly like I verbalized, which is there is a bunch of no name, non-caring, non-accountable people making decisions about things that affect sales performance and earnings performance. What that ultimately tells me is that I am not competing with a behemoth as a private owner. I was competing with a single, non-caring person hiding behind a curtain, and I didn’t realize that when it was my own small business. |
| Keith | So … is there a good way to wrap up a lesson learned about this whole five years experience? |
| Acquired Principal | Absolutely. Oh, there are a couple of lessons to be learned from an acquisition point of view. If the company has intellectual property that will, in and of itself, accrue incremental value, then I think that acquisitions based on … intellectual property … is … a lot easier to transfer than advantage gained out of service and customer service, and internal, inbred philosophy of doing business. That is an intangible which is very hard to transfer, and I think it makes any acquisition far more tenuous for a smooth transition and a successful |

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| | transition than something that has a hard asset like … intellectual property, a molding process or something that can actually be picked up an moved from one factory to another. Philosophy and emotional and entrepreneurial spirit can’t be picked up and moved like a machine. That’s the lesson that I learned from this. That’s the acquisition process as it relates to running the business after the acquisition. On a global scale [for the acquiring company], not only in the acquired company, there is absolutely no accountability anywhere in this whole system. Cross-discipline accountability. If you only measure somebody that takes care of inventory by reducing his inventory days from 75 to 55 days and that is the only method of measurement, you’re fucked! And there’s a quote for you. |
| Keith | That one’s going to get in. |
| Acquired Principal | Alright? Because … reducing inventory days from 75 to 55 without analyzing the backside consequences of being able to ship product on time, not lose sales, is very important. Right now there is no cross-discipline accountability. The people who are doing accounts receivable don’t care how bad they piss off a customer and how much leverage they use because they are not held accountable for … whether or not a year from now that same customer’s gonna be purchasing from [the company]. They don’t care because they don’t get in trouble if sales go down because of that. They only get in trouble if they don’t collect their money quick enough. |

As noted above, the division president viewed this acquisition as successful. However, I asked him how we might have handled my role differently to reduce the conflict I encountered and make the integration process more effective.

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| Keith | So let’s go back there. I was trying to do the integration and trying to go slow and working with [one of the acquired principals]. And I’m going to interview him for this and I think [both principals]—again I’m not trying to toot my own horn, but I think they’ll give me high marks for listening to them, and trying to work that business into ours. But then I’d walk back into this building, … and I was fighting more battles inside. Twenty-twenty hindsight, how could we have done that differently? |
| Division | Probably the … thing that … we should’ve done is … made you king. |

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| President | See, when you make a guy king, then … they can’t touch you. You’re king. And I think if … you make a guy king then he can … make the things happen. |
| Keith | So specifically, how would you make me king? |
| Division President | You choose a position that you were over at the facility and you were the general manager, and that you were going to run it the way you saw fit and… |
| Keith | Hmm. |
| Division President | …integrate it as you saw fit and nobody could touch ya because you reported to me and … make you king. |
| Keith | Mmm hmm. |
| Division President | That … stops all that other bullshit. |
| Keith | Yea. |
| Division President | Not completely, but it … stops because they don’t have anywhere to go. |
| Keith | Yea. |
| Division President | See, because you weren’t king, then they were always after your ass… |
| Keith | Yea. |
| Division President | …and fighting with you and saying this is … what needs to be done there. Everybody thought you were stepping on their turf. That’s exactly what they thought, and … I wonder why people, if they’re safe and feel comfortable in what they’re doing, feel confident about their self and their position and their job, wonder why they feel threatened by a person that is below them from a corporate org chart, not … below them from any other standpoint. Why [do] they feel threatened? I … guess it’s just inherent in people and … it’s like, what’s that old saying you used to say when you where a kid? “Sticks and stones can break my bones, but names will never hurt me.” |
| Keith | [laughs] |

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| Division President | You know? … Well, that's all it was, all just name-calling in a sense. |
| Keith | Yea. |
| Division President | I mean, you weren't moving factories. You weren't telling operations how to run that product down the line. But everybody thought that there was a, maybe they thought it was a hidden agenda. |
| Keith | Hmm. |
| Division President | So I guess if I had to do it over again I would've made you king. |
| Keith | Hmm. Hmm. |
| Division President | Well then that really slows down all that bullshit. |
| Keith | Mmm hmm. Mmm hmm. |

However, despite the division president's general satisfaction with the outcome of the NYC acquisition, his assessment was not unanimous. A finance executive had this to say about the overall success of the NYC acquisition in comparison to the others done by *Electrical Manufacturer*:

> I think most of them have ultimately lived up to expectations. However, … in my mind, there have been several that we've wasted some money and time because we haven't done a good enough job at the front end, and so something that should have taken six to nine months took two to three years. Probably [the] worst case scenario of the deals we've done would be [the NYC company]. In my mind, due to management mistakes, people that wound up going there and didn't work out or left the company, etc., and some of the issues with [the principals]. We wound up, in my mind, with a number of scenarios there that we could have just been farther along a lot faster.

## What Went Right

Despite the conflicts, delays, lack of consensus, frustrations and wasted economic potential, much about the NYC acquisition went well. First, as noted above, the due diligence process was, in one of the acquired principals words, “professional, … easy, … flexible, … and creative.” Second, the integration process began with focus and momentum. This process began with a clearly focused initial integration strategy, a focus on the social construction of SCORE, and my contributions as an integration manager. These elements of the integration process are addressed briefly below through the lens of the five themes presented at the beginning of this chapter.

### **Clearly Focused Initial Integration Strategy**

As described above, the integration of the NYC acquisition began with a clearly focused initial integration strategy which primarily targeted the penetration of the NYC market through a combination of *Electrical Manufacturer’s* products and the NYC company’s relationships and local manufacturing capabilities. For the first several months of integration, this focus guided most of the integrative actions which occurred. Certain other subordinate strategies—including the realization of economies of scale related to material purchases and some transfer of manufacturing know-how—were also pursued at this time, but the clear focus was on market penetration. Further, there was broad consensus about this focus, and little initial dysfunctional conflict.

This initial focus and consensus was largely a result of the integration strategy sessions conducted during due diligence and on the day the acquisition was announced. As noted above, the leaders of most of *Electrical Manufacturer's* functions met with the NYC company acquired principals immediately after the announcement for most of the day. During this session, the group developed a holistic understanding of the opportunities presented by the combination and the priorities for pursuing these opportunities. Thus, simply by creating a forum for dialogue in which representatives of essentially the whole system (Weisbord, 1987) of the combining organization met and developed consensus around an integration strategy, the first two of the themes presented above—a poorly articulated, impractical integration strategy and a fragmented understanding of the overall integration process—were addressed.

**<u>The Social Construction Of SCORE</u>**

The initial integration strategy session also addressed the third theme presented above—ambiguity and diffuse foci—by creating a whole system focus on socially constructing the methods to combine the strengths of the combining organizations in order to penetrate a market previously unavailable to either. The ambiguity which leads to "postmerger drift" (Pritchett, Robinson, & Clarkson, 1997) in some integration efforts was largely avoided by immediately engaging the integration team in actions required to secure, produce and ship orders for *Electrical Manufacturer's* products in the NYC market. Simply put, the frenetic pace of working as a team to perform at unthinkably high levels did not allow time for dwelling on ambiguities.

Thus, from a social constructionist perspective, the initial integration strategy session forced the integration team to create and act on common binary distinctions (Gergen, 1999) about what could be gained through the combination. In other words, by meeting that first day, creating a common language regarding the combination opportunity, and focusing on the binary of market penetration through a combination of strengths, we silenced—at least initially—the other possible ways of seeing the combination with eventually created distractions and conflicts.

**<u>My Contributions As An Integration Manager</u>**

I was also able to make several kinds of contributions as an integration manager, especially during the first three months of the integration process. Specifically, I made contributions in each of the roles identified by Bahde (2002) including project manager, relationship builder, coach and reality constructer.

As a project manager, I vigorously led the early development of manufacturing capabilities including the transfer of engineering and cost data, manufacturing know-how, Underwriter’s Laboratory (U.L.) standards, and many other types of technical data. The early efforts at knowledge transfer were focused on shipping specific products associated with specific orders, but with time we began recognizing recurring patterns and our efforts at knowledge transfer became more generalized.

The passage of time also provided opportunities for the development of relationships among those who were involved in knowledge transfer, and I facilitated this process by acting as a relationship builder. Thus, in the early stages I took an active role in identifying the types of knowledge required to ship an order; identifying the individuals within *Electrical Manufacturer* who had (or could find) the knowledge; scheduling the required conference(s); making introductions and providing the context for the meeting; and stepping in to facilitate as required. However, after only a few of these experiences, those involved became much more adept at working together directly, and my assistance soon became unnecessary.

As the initial flurry of activity began to subside, I increasingly assumed the role of coach, especially with one of the two acquired principals. As he noted above, I coached him through the required processes of developing AFEs to support capital expenditures, developing and presenting budgets, and a variety of other socially constructed patterns taken for granted by members of *Electrical Manufacturer*. In contrast, the acquired vice president of marketing who expressed frustration at the evolutionary process of learning how to get a bill paid or what the acronym “COPS” stood for lacked the services of such a coach.

Finally, I served as a reality constructer in a variety of ways. First, by simply typing and distributing the minutes of the initial integration strategy session conducted on the announcement day, I codified agreements, or binary distinctions, regarding the integration strategy that we would pursue. These agreements might otherwise have been lost in the complexity of the integration process. Second, I communicated this integration strategy widely within *Electrical Manufacturer* and helped solidify a concerted effort focused on the initial integration strategy. Third, as unforeseen challenges emerged during the integration I facilitated the emergence (e.g., Mintzberg, 1977, 1987, 1994) of the initial integration strategy in ways which adapted it to the local requirements in which it was implemented. For example, as we began transferring the components required to assemble *Electrical Manufacturer's* products to the NYC company's location, it soon became apparent that we required a policy—that is, an agreement between those involved that spelled out the binary distinctions that would be employed in these situations—which covered cost accounting issues, state tax issues, and several other accounting issues. My role as reality constructer included identifying the parties within *Electrical Manufacturer* who had knowledge of such issues and who had a stake in the outcome (in this case, two accounting managers); developing parameters for a conference involving these individuals by having preliminary discussions with the vice president of finance regarding what was required and, in general, what was appropriate; bringing the two accounting managers together to engage in dialogue about the policy issues; documenting their conclusions; soliciting approval of the drafted policy by the appropriate parties; and distributing the approved policy to the those whom it affected. As this example shows, the reality constructing integration manager may participate in the development of the initial integration strategy, but the key role this individual plays is facilitating the appropriate emergence of the integration strategy.

In each of these four ways, I made contributions to the NYC integration process by partially addressing the fourth and fifth themes presented above, conflicting and redundant organizational processes and unclear leadership. For example, the development of the accounting policy described above illustrates the resolution of a potentially troublesome organizational process, and several of the examples described above illustrate clear leadership. However, there were also shortcomings both in my effectiveness as an integration manager and in the overall integration process. These shortcomings are summarized next.

## What Went Wrong

Despite the strengths outlined above, several shortcomings hindered the NYC integration process. First, although a high level of consensus was developed around the initial integration strategy, we eventually experienced the erosion of consensus. Second, several aspects of the integration process and my role as integration manager were impacted by dysfunctional silence. Finally, there were several factors that limited my effectiveness as integration manager. Each of these shortcomings is described below.

### The Erosion Of Consensus: "The Fringe And The Core"

As the NYC case clearly shows, the high level of consensus around the initial integration strategy began eroding after only a few months. A director of engineering described a similar process, which unfolded during a recent integration effort at his company. He called this a conflict between "the fringe and the core" of his company.

I began this exchange by asking him if there was a clear integration strategy developed in this instance. He responded as follows.

> Well, I think it was an emerging strategy. Certainly, … we basically had every intent … of treating these acquisitions with the hands off, arms length approach. It was only later that we decided that the hands off approach wouldn't work. In fact, many of the people who were involved in changing that decision and … going with a more centralized approach almost ridiculed the idea that you could be hands off with an acquisition [and] that you could just let them do whatever the hell they were doing before and that somehow you can maintain … [our company's] standards and not dive into the process. They were just dumbfounded to think that anyone thought they could do that [laughs]. So it was an emerging … [strategy], something that changed as time changed. And even as new players came on board, as new managers and directors and VP's were brought in, it was clear that they saw things very differently…. [Thus, the strategy] was creeping around, because we started getting closer and closer to the core of … [the company], right? And the core has a very rigorous, almost rigid way of doing things, and the fringe was much more flexible. The fringe was what started off this whole acquisition, but the acquisition slowly migrated towards the core and we wound up going back to the good old-fashioned way of doing things…. The fringe was really these people involved with the acquisition who may not be involved with day to day shipping of product from … [the company's] bread and butter. They were people working acquisitions. They might have finance backgrounds, they might have accounting backgrounds, they might have business backgrounds, but they don't know how hard-core new product development from … [the company's] inner circle really works. So … the fringe made these decisions initially, [but] over time the core started to take over more and more, and it became more of a, "This is how we do things." A little bit more heavy handed and a lot less decentralized.

In this quotation, the director of operations articulates a key challenge in the NYC integration effort and many others. Despite the best intentions of the senior managers and M&A staff personnel—the "fringe," as described above—to locate, negotiate and plan for effective M&A candidates, once operations managers—the "core," according to the director of engineering—get involved in integration, an erosion of consensus is likely unless some way can be developed to develop and sustain consensus as the integration strategy emerges to fit local requirements. Such a process is proposed in the final chapter.

**Dysfunctional Silence**

The initial integration strategy session in the NYC acquisition largely overcame dysfunctional silence by inviting the voices of essentially the entire senior management teams of both organizations involved in the combination into the social construction of an integration strategy. However, the many examples of dysfunctional silence which emerged as the integration process progressed raise the possibility that some who attended the initial integration strategy session did not engage in entirely candid discussions of their views of the initial integration strategy. Alternatively, dissension regarding the initial integration strategy may have developed over time and, lacking a proper venue for an airing of these views, the dissension simply went unstated.

In either case, it is clear in retrospect that the acquired principal who spoke of “a voice that can dissent” was subjected to dysfunctional silence, as was the principal who said, “We lost our connection to [the division president], the father figure. He moved on to other things.”

I too faced this predicament since I reported to and worked with a number of people who, in the division president’s words, “were always after [my] ass.” I might have attempted to interrupt this imposed silence regarding my concerns about the direction the integration process was taking, but doing so would have required me to circumvent the reporting structure in which I was placed and speak directly to the division president. Taking this action seemed to invite the possibility of dire consequences—a "career-limiting move," as one colleague has put it—so I remained silent.

## Factors Which Limited My Effectiveness As An Integration Manager

Two key factors limited my effectiveness as an integration manager. First, as the division president said, in retrospect he "should've … made [me] king." As he put it, "if … you make a guy king then he can … make the things happen." Clearly, I lacked the power to impose the actions that were consistent with the initial integration strategy, as well as the power to arrange the face-to-face dialogue required to rebuild consensus as the integration process progressed. In Chapter 6, I present a number of key elements regarding the design and staffing of the integration manager role including recommendations for the required the structure and power required for effective performance and guidelines for staffing the role.

The second factor, which limited my effectiveness as an integration manager, was the invisible nature of much of the facilitative work I performed. As noted in Chapter 2, Joyce Fletcher (1995, 1998, 1999) has described the tendency for this kind of work to get overlooked or "disappeared" in organizations, which lack the language to notice and describe the relevant behaviors. Only the instrumental nature of the project manager aspect of the integration manager role set described above clearly avoids the stigma of invisible work, while the other three aspects—relationship builder, coach and reality constructer—are all largely invisible except to those immediately impacted by the behaviors which reflect these roles. For example, one of the acquired principles clearly saw benefits in the coaching role I played, but this was almost entirely “disappeared” by others. Recommendations for avoiding the “disappearing” of these and other critical facilitation behaviors are also presented in Chapter 6.

# Chapter 6: The Social Constructionist Approach to M&A Integration

## *Proposals for a More Effective M&A Integration Process*

In this chapter, I propose five solutions to the themes presented in Chapter 4, which combine to create a more effective M&A integration process. First, to address the frequency with which a poorly articulated, impractical integration strategy is established, I propose the need to *create an emergent M&A integration strategy*. Second, to address the likelihood of a fragmented understanding of the overall integration process for many of those involved, I propose the need to *engage the whole system in the construction of meaning*. Third, to address the frequency of ambiguity and diffuse foci during integration, I propose the need to create a *focus on SCORE*. Fourth, to address the conflicting and redundant organizational processes, which become apparent as organizations are combined, I propose the need to *develop socially constructed patterns of synchronized action (PSA).* Finally, to address the unclear leadership which characterizes many integration efforts, I propose the need to *appoint an integration manager to facilitate the construction of meaning*.

## *Create an Emergent M&A Integration Strategy*

In order to address the first theme identified in the Chapter 4—the frequency in M&A with which a poorly articulated, impractical integration strategy is established—those involved in planning and executing integration must *create an emergent M&A integration strategy*. By doing so, the initial vision for the combined organization can be crafted into an integration strategy which accounts for many of the detailed, local situations in which integration will occur.

In this section, several issues related to this theme are addressed. First, *the need for an emergent integration strategy* is established. Second, *the social constructionist perspective of integration strategy development* is articulated. Third, several *limitations of the emergence of strategic initiatives during integration* are explored. Fourth, *legislation regarding pre-merger coordination ("gun jumping")* is summarized to provide guidelines for allowable pre-merger conduct. Finally, a *proposition regarding an emergent M&A integration strategy* is presented.

### The Need for an Emergent Integration Strategy

As noted in Chapter 4 and in the M&A literature (e.g., Begley & Yount, 1994; Bower, 2001; Bramson, 2000; Graves, 1981; Howell, 1970; Kim, 1998; Kitching, 1967; Marks, 1982; Marks & Mirvis, 1992; Marks & Mirvis, 2001; Schweiger & Weber, 1989; Shrallow, 1985; Smith & Hershman, 1997; Tetenbaum, 1999; Ulrich, LaFasto, & Rucci, 1989), there is a critical need for comprehensive planning of integration activities. This view is echoed by a vice president and general manager who has led numerous due diligence efforts:

> I don't see how you can make an acquisition without an integration strategy and have any confidence … that you're going to get the … return that you expect on that acquisition. I just … don't see how a manager could do that.

I asked, “Have you ever seen it done?” His response: “Yea. Every acquisition I’ve ever been involved in, I’ve never seen a very comprehensive acquisition plan [laughs].” He continued by explaining that creating a clear sense of what is expected from the combination can importantly impact the economic value created as a result of the combination:

> [I]t’s important for the acquirer to involve people from all groups within that organization that are going to be impacted by the acquisition and ask the basic question, “Why are we doing this deal? What do we hope to get out of it? What’s the value that this deal brings to … our company?” And … craft your integration strategy around that, making sure you protect the pieces of … value that the [acquired] company is bringing. And this all needs to be done before the acquisition is complete because it impacts what you pay for the company, it impacts how you structure the contract, it very much impacts the value of the deal.

When initial integration plans are developed in the isolation of due diligence by managers who are not familiar with the details of local situations, the assumptions made during due diligence must at least be validated once the integration process begins. A vice president of finance who has used this approach explained:

> I think at least for … the acquiring company, you’ve got [to develop] a game plan … up front [which details] what you expect to get out of the deal, what you think you’re going to be able to get done through integration and what synergies you should be able to get out of it. And, after the … acquisition date, then you have to sit down … with people in the organization and, in effect, revalidate that you can really do that…. [Y]ou’ve got to be flexible doing that because … the acquired … people know [things] and … in a lot of cases they’re helping you execute this.

For example, one integration strategy pursued in the NYC case was to secure the lower costs enjoyed by *Electrical Manufacturer* on certain key components due to the much larger volumes purchased by the acquirer. However, when it was determined that the acquired company had negotiated lower prices than *Electrical Manufacturer* on certain of these key components, the integration strategy was adapted to secure the NYC company's costs for *Electrical Manufacturer*. The integration strategy was also adapted to initiate other cost reduction opportunities, which were made possible as a result of the combination. As suggested in the quotation above, a key requirement of developing and executing this emergent integration strategy was to identify the individuals in the combining organization who could participate in this process and elicit their help.

Both the vice president and general manager and the vice president of finance imply that Gergen's advocacy of multilogue fits well the requirements of M&A integration. In these situations, as Gergen (2000) says, "It is not 'the answer' that we must seek but rather a continuous 'process of answering'" (p. xxiii). As each of the vice presidents quoted above explained, relevant M&A integration plans are created only when those impacted by the combination are involved in the planning process.

Even when an initial integration strategy is developed which offers a high degree of practicality and credibility—as in the NYC case—the need remains in most cases to facilitate the emergence of the integration strategy in order to adapt it to the many detailed, local situations in which the strategy will be implemented as well as that which is learned during integration. However, achieving this adaptation requires creating the opportunity—even during the typically secretive due diligence process—for those with a stake in the process to offer their input. For example, a vice president of operations—who has not been involved in due diligence discussions for his company's recent acquisitions—mentioned the "veil of secrecy" which typically surrounds the due diligence process. I asked him if there was "any reason not to bring someone in your role into the acquisition process from the first moment?" He responded:

> In my role, I … should be brought into that process and be on the team from day one. What I mean by the veil of secrecy is obviously you can't have a cadre of manufacturing engineers and procurement specialists and so on [involved], which is now reaching further down into the organization. That gets a bit, to me, … pretty dicey in terms of the opportunity to leak information that shouldn't be leaked.

I asked, "Might it be appropriate, though, to bring selected others, … [such as] your direct reports, into the due diligence process, if they're expertise was required?" He responded, "It would be the optimum thing to do if you … felt comfortable, and obviously everyone was properly tied together in confidentiality agreements." A vice president of finance agreed that developing this "game plan" might require the involvement of a broader group than the typical due diligence team of senior managers and M&A staff personnel:

> I think there is a need [in integration planning] to go farther down than senior management. Obviously, it needs to start there. Hopefully, … the direction of what you'd like to do comes out of that group of

> people. But, typically, I think it's helpful to get a select few from other disciplines actively involved.

I asked this vice president if he would "comment on the comfort level … [he] would have about bringing … a senior management team in, say, two or three months before a deal was signed." He responded:

> I obviously think that it would … make for a better acquisition. I like that…. The more information you know, the better off you are…. I would say to … the degree that the company being acquired is open to it, the more people you could get into the mix the better off you are. And I think it is also important to make sure there's a cogent game plan…. [W]hen a deal is done, … typically there's areas that you probably need to know where you are at risk, and [having] a game plan in place to react quickly to that [would be helpful]…. [S]o I think … having a game plan—knowing who's going to fill what roles, who in the [acquired] management team is staying, … [and] having some things put in place there so that you can react more quickly…—will instill a degree of confidence.

I asked this vice president what he thought of conducting an integration strategy development session during the two or three days prior to the announcement in order to make sure the senior management teams from both sides of the combination were on the same page. His response:

> I think that sounds pretty appealing. I'm not sure how many days it would take. It probably depends on the size of the organization and the diversity of the management teams, but certainly I think there would be a lot to be said for something like that…. [Doing this] probably will create some uneasiness, but you'll get it behind you sooner rather then later. I'd rather have two, three, four, days of uneasiness than two, three, four months of uneasiness and typically … I would think [doing this] will probably bring some things to light that otherwise might not come to light for an extended period of time.

I asked the vice president and general manager, quoted above, to comment on the desirability of conducting such a pre-announcement integration strategy session. His response:

> I think it would be huge…. [I]f you could involve … all the functions that are going to be affected by the acquisition, I think you'd get buy-in from those parties, you'd get enthusiasm about the deal and you'd get a … realistic, comprehensive and presumably unbiased view of how the … integration's gonna happen. So then you can take … that view and … plug it into your valuation model and get … a realistic valuation for the company.

A director of customer service offered his view on how the planning process might be conducted:

> I think you need the senior staff person to … give the … big picture…, set the example and the tone for what you want the integration to be, and then you came back with the person … that's in the grunts … and [that person would] say, "Alright, I understand what you want me to do. Now this is what it's going to take to make it happen. You got to do this, this, and this." I can't expect … [the senior management staff] to understand [our information systems] and understand all the terms and conditions and … [details] of our business. But if they say, "this is how … I want it to go … and here's the time frame," they can give me the direction and then let the people come in.

A vice president of sales provided an example of a successful, pre-announcement integration strategy for transitioning an acquired company's sales force of manufacturer's representatives, many of whom represented product lines that competed with the brand acquired by *Electrical Manufacturer*.

> I can tell you that when we … bought [a recently acquired company], even before the deal was announced we had discussions about the sales force— [the division president] and I and [the acquired principal]—as to how we were going to go about … [making

> transitions] and we had a … plan…. I spent probably my first three months of the year 2001 visiting agents with [a sales manager], negotiating ‘em out of [a competing line] and into [the line we’d just purchased] or dropping a competitive line. And to this day I think we probably only have three agents that still … have [the competing line]…. [S]o, I think … we integrated the [acquired company’s] sales force pretty well.

This vice president went on to explain that most of the sales agency transitions were completed in a matter of months after the deal was finalized. I asked him if their was a lesson learned in this example of pre-announcement planning, and he responded, “Maybe it’s good to get all that shit behind you?” I also asked this vice president what questions he would ask if he were more involved in the due diligence process, and he continued by describing the elements of a more complete marketing/sales due diligence process.

> Do you have any [product] literature? Let me look at your new product development plan. Do you have any rebates or incentives out there that we don’t know about?… [W]ho are your customers? Who … are your agents [or sales reps] and how are you paying ‘em? What type of sales tools do you have at hand today? And … then the next question would be, ‘Now … that I know that, what do I need to change or invest in over and above what it’s going to take to acquire this company?’

When he finished listing these items, I asked how long would it take to develop an integration strategy involving these items, and he replied that it would require one day. I asked, “What if you took three days, just for good measure, right before the announcement [and] got the whole senior management team from both sides together [in an] offsite meeting. Could you get a strategy done?” He responded:

> Yea, but I’d … almost go one level below senior managers [laughs].

> Sometimes senior managers don't know what the hell is going on within their own organization. They're not going to implement it anyhow. So whatever … half-baked idea they come up with [laughs], they're going to turn it off to somebody that will make this work. Which is crazy. The guys that have got to make it work ought to come up with a plan.

The managing director of a private equity fund acknowledged the benefits of engaging in pre-announcement planning on a recent acquisition:

> [I]n [the] Germany [case] it was … very clear what we were going to do. And this was an … independent ATM company that we acquired that had a team of people and a deployed asset of … 400 ATM properties. And, during the due diligence, we took every ATM property and made it a profit center, and built up our acquisition [model] based on that, … and the whole acquisition was built on disposing of the unprofitable properties immediately…. [W]e were fortunate … [that] the company we were buying it from … gave us the freedom to go in in advance of our closing, and negotiate a lot of those early termination contracts, which really, really … helped … us, and added certainty to the profitability of that acquisition.

Given the seemingly obvious need for pre-announcement integration planning, I asked a consultant, "So what do you tell clients when they are getting into this? Do you try to warn them about this?" He responded from the perspective of the seller:

> You try to say there are certain areas of seller due diligence that as a seller you should exercise. You should talk about, out loud, these things that need to be dealt with from integration of information systems, integration of backroom services, changes in decision making authority from capital business to markets and major projects to chase. Even hiring authorities and creating the positions, in some cases, buyers have sort of slam shut the ability to freely grow the human resources pool of an organization. So, all these things need to be discussed, talked about. And they need to be talked about in some concrete detail. Not just quick brush over a glass of beer at the bar.

A vice president of human resources agreed:

> I think it would be better to have … some … actual work sessions, meetings, … and not just going out to dinner and haphazardly hitting on a few topics, but actually sitting there and going “Okay, how do you guys plan to do this?”

However, the consultant quoted above also pointed out that buyers may intentionally engage in “willful mischief” to avoid these kinds of conversations because they are not helpful in their “seduction of the target.” He offered this advice for acquirers:

> As the acquirer, I would begin by knowing that the more I attempt to do front end due diligence on the integration of cultures, systems, strategy, [and] structure that I’m going to lessen my chances of that deal ever flying. But I’m going to take comfort in the fact that a smaller percentage of deals done with a much higher percentage of successful deals is to my credit…. I think the buyer needs to go to that seller and say, “Here are the laundry list of things that we need to talk our way through and understand where each of us is coming from and what are expectations are. And I have to ask you this, Mr. Seller, early on: Are you more interested in maximizing your personal take out of the situation, or do you have a balanced interest in the long-term success of this company that you have spent your career building…?” So I think the … wise buyer … [will] understand they are not going to get all the deals and that they have to do a little selling on what is important beyond the transaction.

### The Social Constructionist Perspective of Integration Strategy Development

From a social constructionist perspective, the integration strategy development process is a form of the “language games” described by Wittgenstein (2001). From this perspective, developing the integration strategy with the involvement of the broad range of voices of those who will be impacted by the combination invites the possibility of freeing ourselves from rigid, dogmatic, literal perspectives about what the particular combination might represent, or how this a particular combination fits into the history of other combinations which have been described by the merger syndrome (Marks, 1988, 1991; Marks & Mirvis, 1985, 1986, 1997a/b; Mirvis & Marks, 1986). However, since all uses of language involve the creation of "binary distinctions" (Gergen, 1999) between what is emphasized or ignored, an effective integration strategy development process will not rely on an "anything goes" approach. Rather, there must be clear limits regarding what emerges during the development of integration strategy. These limits are explored next.

### Limitations of the Emergence of Strategic Initiatives During Integration

As noted by Foucault (1980), power relations offer the potential to order and structure otherwise chaotic reality. So it is with integration strategy. Since an effective strategy articulates what will not be pursued every bit as much as what will be pursued (Porter, 1996), it must place limits upon the choices made by those engaged in a combination process so that they are able to move together in concerted action to realize the objectives set forth in the strategy. A strategy that did not establish these limits would be, as Gergen (1999) calls it, "a step into insignificance" (p. 41). In the M&A literature, this condition has been described as "postmerger drift" (Pritchett, Robinson, & Clarkson, 1997).

In light of this, the social constructionist approach to M&A integration strategy development invites a multilogue of voices representing different perspectives of the combination process, but also requires the construction of a shared vision of the combined organization. This process is necessarily emergent, for as Gergen (2000) notes, “It is not ‘the answer’ that we must seek but rather a continuous ‘process of answering. Required are ceaseless conversations—negotiations, comparisons, and mutual explorations” (p. xxiii). Thus, from one perspective, the options for an integration strategy are limitless and may be contributed by a CEO, an M&A staff person, a purchasing manager or anyone else involved in the combination process. However, from another perspective, an effective integration strategy must be delimited and shared by all those involved. How might this paradox of limitlessness possibility and fixed consensus be reached, especially when the integration strategy is likely to emerge throughout the integration process? Only by conducting “ceaseless conversations” involving the whole system of those affected by the combination. The alternative is “a step into insignificance,” post-merger drift.

The practicalities of engaging the whole system in multilogue are explored below. However, in the next section the legal practicalities of discussing integration plans prior to federal approval and announcement are explored.

## Legislation Regarding Pre-Merger Coordination (“Gun Jumping”)

There are two primary pieces of federal legislation that govern the extent to which organizations involved in M&A can engage in pre-merger coordination, or “gun jumping” as it is sometimes called. First, section 1 of the Sherman Antitrust Act prohibits the illegal restraint of competition as might occur when an acquiring organization illegally constrains the target’s freedom to make independent pricing decisions. Second, the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (HSR

Act) requires the reporting of deals over certain size limits to U.S. antitrust agencies in order to determine if the proposed transaction will negatively impact competition. During the 15 to 30 day HSR determination period, combining organizations are required to continue operating as independent entities.

A key case involving alleged violations of these acts involved the acquisition by Computer Associates, Inc. of a former competitor, Platinum Technologies, Inc. The Department of Justice (DOJ) charged both parties in this transaction with illegal pre-merger coordination, and demanded nearly $1.3 million in fines. In bringing this action, the DOJ alleged that the acquirer engaged in a variety of illegal actions prior to the approval of the combination, including actions involving pricing decisions, constraints on the type of contracts into which the target could enter, and access to confidential and sensitive customer data. Further, the acquirer also allegedly installed one or more senior executives at the target's locations to monitor compliance with these restrictions. The alleged violations came to the attention of antitrust officials since they were included in the merger agreement that was submitted as part of the HSR approval process. The case was settled for one half of the original damages sought by the DOJ, and created a precedent that suggests the types of activities that should be avoided.

In the aftermath of this case, a number of antitrust specialists issued memoranda advising the types of pre-merger conduct which is likely to cause combining organizations legal problems. The most risk-averse of these advisories cautions combining organizations to conduct due diligence activities with "clean teams" of individuals who typically have no involvement in day-to-day operations and limit their access only to data which is required to establish the value of the target. However, several advisories acknowledge the importance of pre-merger planning and provide guidelines for how to avoid blatant violations. Although clear guidelines of permissible actions are not currently available, some advise that pre-merger *planning* activities should be permissible as long as *implementation* is avoided. Thus, although caution should be used during due diligence when discussing customers, pricing and other types of sensitive data, the need to comply with federal restrictions must be balanced with the need to conduct integration planning prior to the closure of the deal. M&A specialists should collaborate with legal counsel to evaluate the appropriateness of specific actions taken during due diligence.

### Proposition Regarding an Emergent M&A Integration Strategy

The social constructionist approach to developing an M&A integration strategy is summarized by the following proposition:

> Proposition 1: *An M&A integration strategy will be more effective if it includes the multiple perspectives of those affected by the combination, and if it emerges as more is learned during the integration process.*

## *Engage the Whole System in the Construction of Meaning*

In order to address the second theme identified in Chapter 4—the likelihood of a fragmented understanding of the overall integration process for many of those involved—those leading integration must *engage the whole system in the construction of meaning*. Doing this provides the opportunity to quickly create a holistic understanding of what the combination means for those affected so that fragmentation and divisiveness can be avoided and momentum for the integration process can be developed.

In this section, several factors related to the engagement of the whole system are addressed. First, several reasons why *involving the whole system* is critical are addressed. Second, the *social constructionist perspective of engaging the whole system* is proposed. Third, several *practical options for engaging the whole system* are explored. Finally, a *proposition regarding engaging the whole system* is presented.

## Involving the Whole System

M&A integration processes often have far-reaching implications for the whole system of people who staff combining organizations. Although not every single person in each organization may be impacted by each combination, the impacts of many integration efforts ripple throughout the combined organization, sometimes for extended periods. However, in order for integration to be “pretty hard-hitting and pretty fast-moving,” as one consultant put it, it is critical to take action as quickly as possible to engage the whole system in the combination process. A director of customer service explained this point:

> I know in our company we’ve always been told … you’re not allowed to talk about acquisitions, so I don’t know legally when you can or you can’t. Obviously you want to do it as soon as you can…. ‘Cause when

> the ink is signed and it’s real, … that’s not a time to be talking about how we’re going to integrate.

As noted in the passage above, the “time to be talking about how we’re going to integrate” begins during due diligence, but should continue by involving a critical mass of the whole system immediately after the announcement is made. As a vice president of finance explained, engaging the whole system can provide opportunities for those on both sides of the combination to begin learning about their counterparts.

> [If] you get the people together, [and] you begin to evaluate their capabilities and some things, you’re going to learn some things. You won’t learn everything but you’ll learn some things and you’ll be a little bit wiser then you otherwise would’ve been.

A director of sourcing expressed a similar idea:

> I just think there’s got to be some data exchange, … which would include documented data and information that people have on the way the company acts, the norms, if you will, in their head…. Takin’ the time to do [this up front], … will require some type of relationship establishment, and that will … [lead to] uncovering issues [laughs] before decisions are being made.

The president of a combining manufacturing company noted the importance of establishing working relationships among combining personnel in a recent deal:

> I ended up … saying, “Listen, we’re gonna have some strategy meetings and … they’re going to be mixers and dinners….” That came from, “My goodness, we got a whole lot of people trying to get on the same team…. How do I even talk to this person? How do I build a business strategy when I don’t even feel like I can talk to this person? Or I feel like they’re the evil, or whatever. I need to find out how many kids they have and what kind of person they are.” And so we started out with … four or five of those big meetings. And then we kind of resorted to, “We need to figure out a way to get these people to

> communicate better, easier, open, relaxed. The deal is done. We gotta get these people to relax and make it happen."

Further, getting the whole system together offers the opportunity for those involved to participate in face-to-face dialogue. I asked a consultant who had participated in a large, transatlantic merger of two pharmaceuticals companies how important this was. His response:

> Very important. In fact, what the company spent money on early in the merger process was they leased a couple of … aircraft just to keep feeding people back and forth across the Atlantic…. Today they rely much more on teleconferencing … but back then they didn't. They put people in these planes and shipped them over [laughs]…. Nothing surpasses a face-to-face meeting because in teleconferencing you can't see exactly whether the person is squinting his eyes or not.

Further, as a director of customer service noted, the development of trusting relationships with acquired personnel through face-to-face encounters may encourage the divulgence of "the skeletons and the dirty laundry" which have critical implications for the integration process:

> [T]here's going to be things you're going to learn after you buy them that you don't know about, obviously, before you buy them. You're going to see all the skeletons and the dirty laundry, … and especially if you can get down in the ranks and get the people that probably really know what's going on [to] give you their opinions.

As noted above, those "down in the ranks" of the combining organization are inevitably engaged in the integration process at some point, but without special efforts to make this happen it may be months or years before their perspectives can be put to use. Further, when integration becomes strained, some may leave the organization, taking valuable tacit knowledge with them.

Bringing the whole system together can also provide recognition to those who perform in ways that support the integration strategy. As a director of engineering explained, this can be especially important when the recognition comes from someone from the other side of the combining organization:

> I was part of the transit business, which was a weird clone of [acquiring and acquired] people. I … felt like I was straddling a fence. We go out to this customer site—I'm with my boss … from [the acquired company], and here I am a [headquarters] guy, right?… I had no idea where he was coming from and, in the de-brief afterwards, I asked him, "So, what do you think? Do you want to bring in somebody from [your organization] to help manage this?" And he looked me square in the eye, and he says, "We've already got a top notch program manager on it.… That's you. I don't like to bring help in where help is not needed." I … thought, "Wow, that's an affirmation." I thought for sure he was gonna want to bring in one of his … gurus, and then I found out I was one of his gurus. That was nice.

As the example above shows, these types of affirmative exchanges can occur without making special efforts to engage the whole system, but doing so may increase the likelihood of developing relationships that lead to this kind of encounter. Lacking a whole system effort, those leading a combination might have to rely on the kind of extraordinary insight, effort and luck depicted in the following example, or be content to wait indefinitely for relationships to form.

> [W]e'd been going through the process of having people come in and look at us, [and] we knew … the final three companies that were bidding…. [T]he day after we heard the announcement I called … this

> guy [I knew]— …'cause we'd met at conferences—called him up and said, "I want to come out and meet with you,' and he said, 'Fine, I can meet with you next week." So I went out and saw him right away and then used that as an opportunity to meet with … his boss and his boss' boss, and … described who we were and what we were doing and what worked, and … [it was also an opportunity to] hear from him what he was doing…. I think it really did make a … big difference, and then from that point forward it was just very much trying to say, "We're all one company…. [W]ho do I need to know in order to do my job well?"

The vice president of a publishing firm who shared this story explained that he learned the importance of this kind of proactive approach in a previous combination process when the president of his company—which was acquired by a much larger company located several thousand miles away—became concerned when the acquisition announcement was followed by silence. The president arranged a meeting with the acquirers, explained the unique value their company offered, and learned that "they had already put in place plans to basically take us apart, shut us down, move the assets." However, as a result of his visit, the acquiring CEO concluded, "We were gonna take you apart, but now we're recognizing that this is a … crown jewel…. We see the value, [so] we're gonna let you guys be." Again, this valuable exchange occurred without the benefit of a whole systems effort, but the risk of dismantling a "crown jewel" certainly justifies the effort to learn as much as possible, from as many perspectives as possible, quickly after the announcement.

As several of these examples show, a critical aspect of the integration process is developing shared understandings and values among combining personnel. The vice president of the publishing firm quoted above described this as “an education process” for the members of the combining organization who “understood … their areas very well,” but who lacked an understanding of how these fragmented understandings might fit together in the combined organization:

> I think it was really an education process of the people that came from … the acquired company, who understood … their areas very well…. I can remember meetings where we literally would have the [laughs] same discussion two or three times over the course of a period of time until there was shared understanding. And then we could talk the same language, but it was really them educating us about how these things worked.

The president of a combining manufacturing company acknowledged the challenges he faced in developing a “shared view” among combining personnel:

> I didn’t realize how much I had learned from that three family, three-company deal, but it’s probably trying to develop a shared view there was a really significant challenge. That was one of those deals where it kinda got put together by the owners, not in secret, but certainly not with very much participation from anybody else. So trying to get those people to have … a shared vision, and to feel good … about that, I think … a lot of those meetings were just that. Just trying to help them … talk about what you believe. Talk about your company culture. Talk about the way you support customers. What’s your warranty policy? What do you care about? What are the values of this company?… And I think from those discussions came … the shared view. ‘Cause they developed it in a group, I guess…. I guess it was kind of some thinking out loud.

As these examples show, one important mechanism to developing shared understandings is the existence of a common language among combining personnel. For example, a director of customer service explained how the addition of three key values to their “vernacular” enabled them to move forward in concerted action.

> We had change management initiatives in the majority of the acquisitions, and it definitely helped being who we are at [the acquiring company] now, having the shared values and having principles of management that are really embedded in our culture. At the time, respect, responsiveness and results—which we call our three Rs—were not part of our vernacular, and therefore it was very difficult to be respectful of the differences.

This director also described in Chapter 4 the value of a glossary used during a combination “to be able to articulate what the heck we were talking about.” She also described the “accolades” she and her assistant received for this effort:

> I remember the frustration of folks that didn’t grow up on either side of the business … that had no idea what we were talking about until we created this glossary. And the best part of the story was then when we sent out the minutes from this meeting [with] the glossary of terms, all of the accolades I got back, and my secretary got back, because nobody had ever defined any of those for half the people that were in this room.

The vice president of the publishing firm quoted above noted that some of the language used by the combined organization was mandated by the larger acquirer:

> I think some [language] was mandated, … because, in the case of the … acquisition [of our company by the much larger company], or of us acquiring [a much smaller company], the disparity in size was such that there was just some adoption of the acquirer’s language. But in both cases there were also places where … basically our way of describing things was adopted…. We would always refer to sales channels, and [the company that acquired us] refers to sales outlets. And we had a lot of discussion about that because “outlet” implies you’re just taking product and kind of dumping it out [laughs] into the market, and “channel” implies that there’s a much more direct connection, or at least in our understanding of it…. [B]asically that was a case where they were a bigger company … [had] used that language for a long time, … [so] we just said, “Well, it’s easier for us ... to talk about things that way.”

A whole systems effort can also address the tendency for many involved to expect the worst-case scenario, to feel suspicious, or fall prey to other aspects of the merger syndrome. For example, a director of customer service explained the benefits of putting a "positive spin" on introductory sessions:

> First of all, you want to make sure the employees are still attached…. A lot of … [the acquired personnel I have worked with] were part of … a small family business and they felt like they had personal ties and all of a sudden they get frustrated that they're now part of this big company, that they don't know ya, somebody's coming in, takin' over…. [P]eople are going to be calling them and [the] first question they're going to ask is "Tell me about [the acquiring company]. How are they going to do?" And you want that to be a positive spin…. I mean, hey, you'd like them to say "Hey, man, this is the best thing that ever happened to our company."

Further, a vice president of finance who was instrumental in acquiring a number of privately owned, entrepreneurial companies explained the seller's perspective as follows:

> You're dealing with folks who, the company is their, it's their baby. It's what they've developed. They have great pride in it. The world revolves around it, typically, and in many cases one of the issues is to work with them to understand their business and help them understand how it's going to meld into our business. Typically, there's a tendency from their position to look at it as though the world revolves around that business. And obviously some of these we've done, they represent a very small percentage of our business, but you don't want them to feel that way. You don't want to feel their company is insignificant and just a very small cog in what we're trying to put together.

This vice president also noted the benefits of starting the combination process with "a few successes" and the development of some "common ground."

> [I]t's always good to have a few successes, so to the degree that you

> start with maybe the areas of most common ground and get people feeling good about … all the items that we agree on or that we were able to come to an agreement on, you start to … create a little bit of a positive direction of the whole process. And save the tough ones for a little later when people maybe get a little more comfortable with each other. And later might be later in that few day session, or some [issues you] might table for a much later time period.

On the other hand, a vice president and general manager noted that early meetings should not avoid the candid discussions, which are required to prevent acquired personnel from later feeling betrayed:

> I think you have to be honest with 'em. You … should be up front with that person and … make sure that you describe what your plans are for the business, and if … you've … established that they are critical to business, and that … they need to be a part [of the combined organization] going forward, then … you're going to need their cooperation with the integration…. [Y]ou're gonna really hurt yourself by lying to them about the level of integration you anticipate after you buy the company. They're not going to be bought into it, they're going to feel betrayed, they're going to have millions of dollars in their pocket and they're going to be more inclined to walk away and leave you holding the bag.

A vice president of operations agreed, and noted that a critical element of early discussions was developing clarity regarding roles and responsibilities:

> I think it's a critical point to … come to an agreement … during the acquisition process, to say, "These are your [areas of] expertise, … and this is where we want you to participate…. However, … these are the areas where we can contribute, either through capital resources or expertise, and this is … the sandbox we're gonna play in. Can you live with that when you sell your company to us?" And … frankly, I … think a company should step back if that agreement can't be reached up front.

## The Social Constructionist Perspective of Engaging the Whole System

As noted above, the social constructionist perspective of engaging the whole system advocates the involvement of the broad range of voices of those who will be impacted by the creation of the combined organization. In addition to serving democratic ideals, this approach also addresses practical objectives. For example, by inviting a number of diverse perspectives of the combining organization into dialogue, the opportunity is created to deconstruct taken-for-granted ways of seeing reality in order to open the possibility of alternative constructions (Gergen, 1999).

Figure 1 presents graphically the intent of a whole systems intervention in the social construction process. As this Figure shows, the intent is to bring two groups with different perspectives, experiences and ways of constructing reality together to engage in dialogue focused on creating consensus. In the *pre-combination* phase, which might occur either during due diligence or early in the combination process, groups representing different functions, divisions, or other segments of the combining organizations are selected for participation in the whole systems intervention. For example, imagine that organization A in Figure 1 was *Electrical Manufacturer* and organization B was the NYC company. The square boxes in each organization might represent members of the respective sales and marketing functions, the diamonds finance and accounting personnel, the circles information technology personnel, and the triangles operations personnel.

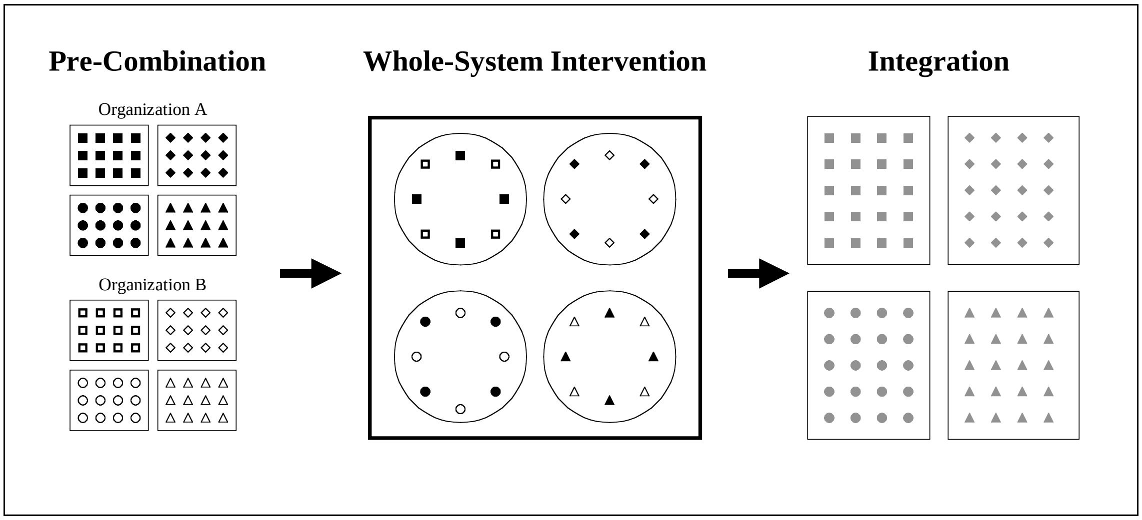


**Figure 1. M&A Whole-System Intervention**

During the *whole system intervention* phase, members from each organization might be seated according to their function in order to foster dialogue about the steps required to combine the various functions. Other seating combinations, such as occasionally reforming the pre-combination organizations to provide these groups the opportunity to discuss their reactions to what occurs during the session, are also possible and should be designed to fit the particular circumstances.

The overall intent of conducting such a process is to create a forum for the synthesis of perspectives as depicted in the gray boxes of the *integration* phase. Here, marketing personnel might achieve understandings such as that of the vice president of sales, presented above, who explained that he was able to negotiate an agreement regarding the locations where competing brands of the acquiring and acquired companies would be sold by engaging in dialogue with acquired personnel and others responsible for the territory. Finance and accounting personnel might achieve understandings such as that described by the vice president of finance, presented above, who explained that the chart of accounts used at an acquired company was mapped to that of the acquiring company to provide immediately for the generation of financial statements without extensive systems changes. Information technology personnel might achieve understandings such as how to create hybrid systems that provide many of the benefits of fully combined systems which much less transitional effort. Finally, operations personnel might achieve understandings such as many of those that I helped create during the opening months of the NYC integration effort that enabled us to begin producing *Electrical Manufacturer's* products in the acquired factory. A further intent of conducting this type of process is to create a holistic understanding of the overall integration process among everyone involved so that the sub-optimization of goals is avoided.

As noted above, conducting such a session is not meant to invite a free-for-all in which each alternative construction of the combined organization is given equal status, but to quickly initiate the process of developing consensus around a common set of binary distinctions that define the combined organization. In all likelihood, many of the binary distinctions which will be used for this purpose will be proposed either by the larger organization—to avoid, as one person put it, having the "tail wagging the dog"—or by the combined senior management team who constructs a pre-announcement integration strategy. However, the unavoidable tension advocated by the social constructionist approach is to balance an advocacy of preferred ways of constructing the world with the invitation of diverse voices to deconstruct one's preferred ways. Doing so requires effort, but not doing so invites the myopia and fragmentation evident in the NYC case.

### Practical Options for Engaging the Whole System

Engaging the whole system in the integration process may offer benefits, but how might this be achieved? Fortunately, a significant literature exists to guide practitioners on how to do this (e.g., Axelrod, 2000; Bunker & Alban, 1997; Emery & Purser, 1996; Fuller, Griffith, & Ludema, 2000; Jacobs, 1994; Ludema, Mohr, Whitney, & Griffith, in press; Owen, 1997; Weisbord, 1987, 1992; Weisbord & Janoff, 2000; Whitney & Cooperrider, 1998, 2000). Bunker and Alban (1997) provide a cogent summary of these approaches in their work, *Large group interventions: Engaging the whole system for rapid change*. As Bunker and Alban show, a variety of whole systems methods have been developed over the past two decades. Some focus primarily on strategy development (e.g., the search conference), while others focus more on process improvement (e.g., General Electric's workout process). Some are highly unstructured and provide participants great latitude in determining what will occur during the session (e.g., open space), while others offer a more top-down, structured approach (e.g., real-time strategic change). Thus, practitioners have a range of options to choose from when considering the appropriate whole systems technique. In the sections that follow, three general options for engaging the whole system are provided.

**Everyone in One Room**

A simple interpretation of engaging the "whole system" might suggest that every single person in the combining organization must come together to collaborate on the integration process, but this is rarely the case. Only smaller organizations, or those typically operated in a highly democratic way, may require this approach. One example of this approach was described by Blumberg and Wiener (1971) who facilitated a data-feedback session involving essentially the entire membership of two merging community organizations. However, logistical and economic challenges may preclude taking this approach, so at least two other options are available.

**Representatives in One Room**

As noted by Weisbord and Janoff (2000), "[o]f course we never do get the *whole* system in one room. Taken literally, that would mean every organism in the cosmos" (p. 52). However, one condition for success when using whole systems approaches is to bring together a "broad cross-section of stakeholders" (p. 50), which can present diverse perceptions. For example, Weisbord and Janoff suggest inviting 25 to 40 percent of the participants from outside organizations such as customers and suppliers. They also recommend inviting a "diagonal slice" (p. 52) of the organization with representatives from each major function and level. Weisbord and Janoff also recommend inviting no more than 70 participants to a single event due to the difficulties larger groups may have engaging in face-to-face dialogue; they suggest using a series of sessions if more participants are required. However, the creators of some whole system methodologies claim success with groups numbering in the thousands.

In the NYC combination, the assembled group might have consisted of the following. First, the entire senior management teams from each organization would have contributed eight members. Second, about twenty members of the NYC company, which totaled about 100 people prior to acquisition, would have represented a highly representative diagonal slice. Assuming that a group of 60-70 people were targeted, as recommend by Weisbord and Janoff, that would have left room for 30 to 40 invitees from *Electrical Manufacturer* (excluding the senior management team) and key outside organizations such as the local sales agency. This collected group would have presented a number of highly diverse perceptions of the NYC combination effort. As it occurred, these diverse perceptions surfaced over the first year of the combination effort, but they might have been surfaced and articulated in the first few days of integration had a whole systems approach been used.

**Series of Cascading Meetings**

Yet another option for engaging the whole system is to conduct a series of cascading meetings in which participants are invited to separate sessions conducted as quickly as possible after the announcement. This option may be especially appropriate for larger organizations such as the pharmaceutics merger described above. The consultant who facilitated the dissemination of the vision for the combined organization described this approach:

> [W]ith respect to [the pharmaceutical combination] it was really a carefully crafted, top-down, cascading process. So once the top team got that … [vision] statement in place, then it was handed down to the respective executives that reported to the top team, and they did it for

> their respective businesses and so on. So … it was a cascading process.

### Proposition Regarding Engaging the Whole System

The social constructionist approach to engaging the whole system in the creation of the combined organization is summarized by the following proposition:

> Proposition 2: *An M&A integration strategy will be more effective if it engages the whole system of those affected by the combination in multilogue focused on the construction of meaning regarding the combined organization*.

## *Focus on SCORE*

The third theme presented in Chapter 4—the frequency of ambiguity and diffuse foci during integration—can be addressed by creating a *focus on SCORE*. By engaging a critical mass of the whole system affected by a combination in pursuing an integration strategy focused on the combination of specific, complementary, unique factors in each of the combining organizations, many of the elements of the merger syndrome can be mitigated and the economic objectives of the combination can be achieved or perhaps even surpassed.

In this section, several factors related to the proposed focus on SCORE are addressed. First, several reasons *why focusing on SCORE is important* are addressed. Second, *the social constructionist perspective of the focus on SCORE* is explained. Third, several reasons *why SCORE must be socially constructed* are considered. Finally, a *proposition regarding SCORE* is presented.

## Why Focus on SCORE Is Important

As noted above, most M&A activity is motivated by the search for economic synergies, and SCORE—potential ***s***_ynergistic_ ***c***_ombinations_ ***o***_f complementary_ ***re***_sources_—are the *raison d'être* for most combinations. However many integration efforts, such as the NYC case profiled above, fail to create a widespread focus around the key economic drivers of the combination. The director of engineering who described the tension between the priorities of "the fringe and the core" in Chapter 5 offered a explanation for this conundrum. A proposed solution is presented in this section.

To begin, the early stages of post-announcement M&A activities represent a time of unprecedented change for many organizations. As a vice president of finance explained, this upheaval begins during due diligence and prompts the need for focus:

> [T]ypically in scenarios like this … you've got a lot of folks wanting to do a lot of different things, … and you really need to make sure you kinda keep your arms around everything that's going on. In particular, … as you dig into things you find things. Either they didn't think were relevant, or they chose not to mention to you, and you tend to wind up in a scenario where a lot of different things are happening around you, and you need to make sure you kind of keep tabs of what's really relevant and what isn't relevant to the decisionmaking process…. So it tends to be a lot of pulling things in and pushing things out depending on the relative significance of it.

Further, as the vice president of a publishing firm explained, it is important to make appropriate decisions regarding where to focus one's efforts. When I asked his reaction to having certain language mandated by the larger acquirer, he responded as follows:

> [A]nother part of the discussion that we would always have is which battles do we want to fight, and that was the kind of thing where we'd say, "This is not a battle we need to fight." You know, … if we're gonna save our energy for the things that are really important, that's not the kind of thing we're gonna do.

Deciding which "things are really important" is a key element both of achieving economic synergies and mitigating the merger syndrome. Clearly, focusing one's energy on insignificant aspects of the combination is not conducive to realizing synergies, as shown in the NYC case. However, the fragmentation and divisiveness that occur in many combinations is a primary antecedent to the merger syndrome, and the process of deciding where to focus one's efforts and accomplishing objectives can significantly mitigate the various elements of the merger syndrome. For example, the early stages of the NYC combination were, in the words of one of the principals, "difficult, [but] they were not onerous, uncomfortable, unreasonable, or … unnecessary." By focusing on the actions required to penetrate the NYC commercial market for *Electrical Manufacturer's* products, we used the stress we felt to motivate the effort required to perform constructive actions. Further, the insecurity created by many combination efforts is driven largely by the threat of downsizing, so combining organizations are well-advised to move quickly and with clarity to achieve any required downsizing, and then quickly engage those who remain in focused efforts to accomplish synergy realization. For example, one key member of the NYC company's sales team was not enthusiastic about the combination and initiated divisive conflict. Had he not resigned in the early days of the combination, it would have been best to quickly disengage him. However, making decisions regarding who creates divisive conflict versus articulate dissent is a matter of judgment, and should be made in reference to the overall combination objectives and the manner in which the dissent is expressed. Specifically, one who engages largely in critical deconstruction of the integration strategy is likely to be regarded as divisive, while one who articulates an alternative vision of the reconstruction of the combining organization might be viewed as a valuable member of the management team. Situations which require extensive downsizing—especially if it is likely to be imposed over an extended period—may best be handled by recognizing that this downsizing is the primary synergy which will be accomplished, at least in the short run, and efforts to socially construct other synergies might best be tabled. The other elements of the merger syndrome—including centralization of decisionmaking, formalized communication, and crisis management—can also be mitigated by engaging the whole system in the development and execution of an integration strategy focused on the social construction of SCORE. This is especially so when those involved take an active role in developing the combination objectives and constructing the means to achieve them.

Many types of SCORE are possible in M&A, and getting clear on the best opportunities for realizing these valuable combinations is one of the most critical elements of developing an integration strategy. For example, a vice president of operations offered this perspective of the acquisition of his company by a much larger company, which already participated in a complementary market segment:

> I think you have to look at the … benefits of what we are trying to achieve. In other words, I mentioned [a division of the acquiring company], which is this big powerhouse of welding power supplies. Separate and different from the accessory market in a lot of different ways. So I think the overall idea of … combining these satellite or standalone accessory companies to support [the division which produces power supplies] has a lot of merit. In fact, I think … that's the way our industry has to go.

Clearly, this vice president regarded the overall intent of the integration strategy as sound but, lacking a focused plan for how to achieve this strategy, he became frustrated with and disillusioned about the combination process.

The consultant who facilitated the merger of two large pharmaceuticals companies also noted opportunities for SCORE involving the R&D strengths offered by one of the partners and the marketing strengths offered by the other:

> [I]n the [pharmaceuticals] case the differences in many … ways were beneficial. In other words, the … people [from one of the merging companies] learned much more about marketing from the [other] side, and the [other] side got their R&D strengthened significantly because they had, before the merger, a weak R&D outfit. [The first company] hadn't paid that … much attention to marketing, and one of the things that … they really … wanted to kind of expand … was over-the-counter drugs, so they moved much more rapidly on getting … drugs that were … gonna run out of patent [protection] … to get them over-the-counter much faster, and the [merger provided the] … experience on how to market all that faster….

Similarly, a vice president of finance described an integration strategy focused on SCORE involving the merging of nationwide sale forces while largely ignoring potential SCORE involving operational issues.

> [I]f you go all the way back to when we did the [merger of equals] … [with] a … company almost as the same size as we were at that time. There you had a scenario where it was a very well run company, [but] it was financially strapped…. And in many respects we very early on … took a stand-back mode, focused less on their operational issues [and] determined that really the key area of opportunity was in the sales side of things—the integration of the two companies to put together a package of products that the market would see as advantageous—was where we saw the big opportunity.

This vice president also explained why the initial integration effort was focused on sales organizations:

> [I]t was felt from the beginning that … [t]he goal was to put together these organizations to … go after … the commercial marketplace. [The acquiring company] had been pretty heavily residential, and to … effectively [target the commercial market] it was understood that you wanted to have one sales organization presenting … [the combined organization] to the marketplace.

### The Social Constructionist Perspective of the Focus On SCORE

According to social constructionist theory, the elements of combining organizations, which offer potential for valuable SCORE, involve the creation of binary distinctions between what is emphasized or ignored. For example, in the NYC case we initially emphasized the SCORE, which offered penetration of the NYC commercial market and ignored other potentially valuable SCORE involving combinations of information systems, manufacturing techniques and other elements of the combining organization. Later, our focus shifted to incorporate some of these other considerations, but this shift led to fragmentation and divisiveness since it did not occur at the level of the whole system. Had we decided as a group to shift our focus, we might have achieved what Dell President and COO Kevin Rollins described when he said, “When you get 38,000 people singing the same song it makes beautiful music” (Stein, 2003, p. 87). Instead, we engaged in the discordant cacophony, which resulted from a number of songs being sung by the members of various factions who stopped listening to others.

### Why SCORE Must be Socially Constructed

As Kitching (1967) noted, the most important factor leading to the successful “release of synergy” from combining organizations is the involvement of “managers of change” to drive the required actions. From this perspective, the potential synergies identified in many M&A strategies are worthless unless those involved find ways to actualize them. Using social constructionist language, we must engage in cycles of deconstruction and reconstruction of the elements of combining organizations to realize the value of the combination.

A necessary first step to engage in these cycles is to acknowledge the existence of those features we would like to combine. As demonstrated by president of the publishing firm who convinced the acquiring CEO that his company was a “crown jewel,” many valuable features of combining organizations may be unintentionally destroyed unless those involved engage in dialogue focused on identifying and preserving the valued elements of each of the combining organizations. A vice president and general manager familiar with the OD technique AI explained how this approach could be used to identify SCORE:

> [Y]ou could use appreciative inquiry for that process, asking … what's valuable about this target we're looking at. What the best things they bring to our company—and protecting those things—when you do the deal. For example, it they have an exceptional sales force, then you want to make sure that when you integrate that company into your company you enhance that sales force or you take their techniques and you bring them on board. You want to take what's best and incorporate it into your organization…. [W]here there's potential [to improve the typical approach taken during due diligence] is … giving as much … or more attention to the upside [potential of the combination] which would involve bringing [in] more than two or three senior managers who know very little about the nuts and bolts of the business. [Instead, you could] bring a broader group of people on board and analyz[e] the target company to a greater degree.… That way, everyone is in the room when you decide what … drives the value of the company.… And they all buy into the idea of making the acquisition and it's not crammed down their throat, post-acquisition.

In contrast, the vice president of a publishing firm described his team's effort to articulate the value of their direct sales approach as a "battle" because no such process existed to articulate the value of this element:

> [W]hen we were acquired, a battle that we fought was … where we … developed a very strong direct marketing group, and [the company that acquired us] had the assumption that direct marketing didn't work. They had tried it, and for them it hadn't succeeded in the approaches that they'd used, and we had to fight long and hard to maintain direct marketing as a group. And then ultimately it was adopted as a … "center of excellence" … within the worldwide [acquiring] organization. Our group became the direct marketing group for the whole organization.

Similarly, the abandonment of efforts to serve the lucrative international markets for welding accessories described by a vice president of operations in Chapter 4—as well as some aspects of the highly efficient “pull” manufacturing system in place at the NYC acquisition prior to the purchase by *Electrical Manufacturer*—represent battles lost.

### Proposition Regarding SCORE

The social constructionist approach to developing an M&A integration strategy is summarized by the following proposition:

> Proposition 3: *An M&A integration approach will be more effective if it provides a focus on the unique SCORE, which offers the potential for the creation of economic value and a constructive focus for those involved.*

## *Develop Socially Constructed Patterns of Synchronized Action (PSA)*

The fourth theme presented in Chapter 4—the need to address the conflicting and redundant organizational processes which become apparent as organizations are combined—requires those involved in integration to *develop socially constructed patterns of synchronized action (PSA)*. In contrast to SCORE, which are characterized by combinations of complementary economic resources, PSA involve patterns of behavior and language that enable those pursuing integration to work together in ways that minimize unproductive conflict and realize potential SCORE.

In this section, PSA are explored from several perspectives. First, the reasons *why PSA are important* are identified. Second, *the social constructionist perspective of*

*PSA* is explained. Third, some *limitations on the need for PSA* are identified. Finally, a *proposition regarding PSA* is presented.

### Why PSA are Important

Establishing PSA is an important element of the combination process in that shared processes, like shared understandings, enable those involved in the combination to work together using predictable patterns so that the "action of one is no longer a source of astonishment and potential danger to the other" (Berger & Luckmann, 1967, p. 57). As a vice president of human resources noted:

> I think when you have [shared understandings], you have the ability to move forward without a whole lot of surprises and disappointments and apprehension…. You can either get it up front and … get these central … themes going where you have these shared understandings, or you could do it the hard way and try to resolve them as they pop up. The problem with waiting [is] that they become [like] a kid's gopher game at the carnival. You knock one gopher down, another one comes up. Now we're in the middle of this acquisition and we're doing this, when we could have handled a lot of this up front.

Despite the potential for chaos at the beginning of the NYC combination, the team focused on penetrating the NYC commercial market established a number of PSA, which allowed us to quickly build the required competencies. For example, members of the integration team quickly established methods for transferring product data required to manufacture *Electrical Manufacturer's* products in the NYC facility, product cost and other accounting data, and other PSA that supported the combination objectives. However, as consensus eroded later in the process, I faced the "kid's gopher game at the carnival" in my efforts to identify and respond to the wide variety of issues raised by the "core" members of *Electrical Manufacturer*.

The need for PSA arise in many areas of combining organizations. A key area in which they are required early in the integration process is the development of reporting systems, which enable those responsible to monitor results. A vice president of finance explained that reporting systems are required to enable those responsible for the combination process to understand what is going on:

> Information is a key…. The ability to really understand the financial … and the marketing information … and be able to analyze and assess it quickly, becomes an important aspect, especially if the company has got some problems. I'm talking now post-deal. The deal has been done, they're still running on their systems [and] we're running on our systems. The ability to really assess whether things are integrating, whether things are working as expected, can become stymied by the fact that the information flow is slow, maybe inaccurate, and just inconsistent in terms of the formatting and the like, and it just slows the process down.

Another vice president of finance explained how he led an evolutionary process of creating the translation system required to report financial results. As he explained, the initial system was somewhat crude and manual but was subsequently refined and made more efficient:

> We took their … system financial results … [and] uploaded them to, or, … if you will, cross pollinated them to our system for consolidation purposes…, and, just at that level, did a cross reference table and put their things in our format. IT and finance [accomplished this]…. We'd sit down and look at all of their chart of accounts, look at our chart of accounts and just simply sit down and map, this is the same kind of account, this is the same kind of account, map to our account numbers.

> And we did that manually, initially, and then simply just built a computer program that had that map. So we just took their trial balance, electronically mapped it to our account numbers and then uploaded that into our consolidation system and … I kept that entity separate for a while.

Similarly, the president of a combined manufacturing company who has led several integration processes makes the development of measurement benchmarks an early priority:

> [W]e … run the company with benchmarks and we check variances, and not just financial … [but] every other … measurable area. So for the company that hasn't had that kind of management in the past, I'm starting 'em off with, "Let's find out how this thing works. And let's draw a picture. And then let's begin to look for inefficiencies or bottlenecks." And that gets them beginning to think like, "Oh, something's not up to par," or whatever, and then … I think it's a logical or a natural [step to begin using the] management reporting then comes from that process.

In both of the cases presented above, synchronization of the patterns used in reporting systems was required to develop consensus about the progress made in realizing the integration strategy. Essentially, these common reporting and measurement systems represent a common language used by the participants to socially construct a common understanding of what was real and possible in each of the combination efforts. Note that in these cases the PSA employed in reporting systems are primarily linguistic tools used to transfer information, although PSA can reflect overt behavioral patterns too. In fact, although it may not be obvious from the examples provided above, many elements of synchronized behavior were required to develop each of the reporting systems described above such as common accounting practices and the collection of data using similar approaches.

Other areas in which interviewees described the development of PSA among combining organizations included the implementation of common manufacturing systems, order processing systems, sales reporting systems, purchasing agreements and other approaches, and product development and introduction processes. For example, a customer service manager described the extensive effort required to develop a seemingly simple system of PSA involving the filing of customer paperwork:

> In the beginning, I'll have to say it was not easy. Everybody had his or her own strong opinions, so we just had to sit down and think … [about] what was the best thing for the business…. [For example,] something as simple as filing—trying to determine how were we gonna—with the massive paper that we had in this building—how were we gonna … make the … filing run efficient?… One group had filed by distributor, … [and] the other group had filed by the last three numbers of a P.O. [i.e., purchase order] number because … it was a lot easier … and quicker…. So, the decision was made that we would go with the most efficient method, which was filing with the last three numbers, but it took meeting after meeting after meeting to come up with that conclusion and a lot of cultural [laughs] words, should we say, to get to that agreement.

Conversely, a consultant described the even more substantial effort required to develop a variety of PSA required to support the geographic roll-up (Bower, 2001) of a number of previously independent, local contracting businesses into a nationwide service contractor:

> Building One … was a consolidation of electrical contractors, … mechanical contractors and a janitorial contracting business…. And there are a number of national real estate owners—Ford Motor Company as an example—for whom centralized purchasing might be appealing. And so a national sales story is created. But in order to deliver on that promise, you've got to have consistency of service, you've got to have consistency of billing method, you've got to have consistency of process, and so forth. And so in order to pull that off you have got to do some standardization across company lines. Concurrent with that was the decision to go for a national identity, [and] repaint … trucks with all kinds of local names, familiar names … [with the national brand name,] Encompass Services Corporation.

Several of the practices I introduced to the principals of the NYC company—including budgeting and capital investment approval processes—also represent important PSA. In fact, a key role played by integration managers is bridging understandings and developing PSA among combining organizations. For example, in the early stages of the NYC combination I restated the financial results of the acquired organization into *Electrical Manufacturer's* format and performed other kinds of translation intended to provide a clear understanding of the combined organization's performance. Doing so required a significant amount of manual analysis of financial and other data since the systems required to automate these efforts were not yet in place. Further, when I was reassigned to other duties, several critical instances of ambiguous performance arose—such as the situation described above by one of the NYC company principals in which $150,000 of their earnings were reserved due to questions about the credibility of these results—which created division among the combined management staff. The social constructionist perspective of this issue is that these managers required a common language—in this case, an analytic language which could have been used to measure performance—in order to be able to discuss the efficacy of current and planned courses of actions.

PSA are also frequently required to enable technical knowledge transfer. In order for technical personnel to collaborate on projects involving product development, the design of information systems and other projects, they must first establish a common language and shared routines that reflect PSA. For example, as noted above, I facilitated the transfer of technical product data from *Electrical Manufacturer* to the NYC company to make it possible to manufacture the required products in the local facility. A director of TQM explained a similar process in one of her early assignments:

> [O]ne of the first things that happened as I joined this company [was that] we … embarked on making products that … [an acquired] company had been making, so there was a lot of changes to the way we did our processes based on what they were doing. We were making products to sell to one of their markets, and they made their products differently, and we had to learn how to do that, and there was a lot of technical sharing that went on.

When a large number of members of the combining organizations are involved in constructing PSA, the learning process can be quite complicated. The president of a combined manufacturing company explained his approach for meeting this kind of challenge:

> [T]he biggest thing that I believe in is understanding the task-processes in each company. That is, to truly understand the work process that goes on in each of the functional areas…, looking at all the task processes and trying to map those, trying to develop a true picture of

> the organization. And to begin to communicate to both organizations that you are a dynamic and living thing…. [T]hose later steps, I think, kind of take care of themselves. Get the ball team out there on the field and they start getting' a feel for one another. And I … want to analyze every step, ... but I don't want to control all that. Big difference. I want that guy to run the route. I want to measure how many steps he takes and where he turns and where the free safety was when he broke and all that sort of stuff, but … then I want to just feed the information back to him and discuss it with him and see whether there's anything else there that can help him get a better read next time.

The president's metaphorical comments point to the need for synchronization. Like a wide receiver who breaks to catch a football and the quarterback who anticipates this action, the members of combining organizations require PSA. Without these common patterns, the wide receiver might break in a variety of unexpected ways and is as likely to bump into the free safety or run out of bounds as arrive at the location where the quarterback has thrown the football. As Gergen says, this is "essentially a step into insignificance" (Gergen, 1999, p. 41). The football lands without being caught and the quarterback and wide receiver fail to achieve their objective. However, as the president quoted above added, developing a high level of synchronization requires effort:

> I think I've got that [kind of synchronization] with a couple of my partners now, and … we've got to discuss some really hard things, and be very open to criticism yourself, and then, at the same time, be willing to say hard things to people, and just stand close by to let 'em know, "I'm not trying to hurt you here. I'm trying to help you." And the stronger that bridge gets, the more that trust is built, the faster we can go. You can run a fast break without looking to see if the guy is there. That comes with … time, but also willingness to invest in each other….

Like the quarterback and wide receiver described above, the basketball players with a scoring opportunity can "run a fast break without looking to see if the guy is there." However, doing this requires the effort of repeated practice sessions. Because of the effort required to reach this high level of performance, many of those involved in combination efforts opt out of developing PSA and prefer a level of autonomy. However, as a marketing manager who worked extensively with a Chinese JV explained, the realization of SCORE may require the development of PSA:

> Initially … the [managers of the JV] … said, "Just give us the project. We'll manage it. We'll take care of everything for you, and you'll get a product." And we tried that. That didn't work. The key is that they don't understand the products well enough…. And the biggest issue is they don't know the standards in the United States…, what's acceptable to our customers…. [W]hen they do a project, they don't understand those things, and when they make decisions they base it on … their experience and what they know, and that is sometimes totally different than … our standards and what we know…. And that's why when we did that, a lot of … [the projects failed]. I took a different approach…. I let them manage the project to a point, [and] where … critical decisions had to be made, I took charge and made those.

In this case, which is typical of many M&A integrations, a synthesis of the complementary knowledge of members of the combining organization was required to actualize potential SCORE. Further, it is not always clear at the outset of a combination effort which elements of the combining organization should remain autonomous versus combined. As in the case above, the managers of the JV initially argued for an autonomous approach and this approach was attempted but abandoned. Making decisions about which elements will remain autonomous and which are combined is a key element of the integration strategy. Further, since these decisions are not always clear at the outset of integration, effective integration is characterized by a healthy degree of experimentation and the collaborative evaluations of results. The president of the combined manufacturing company quoted above expressed his advocacy for an experimental approach as follows:

> I only want to go as fast as we can be in control. But I also believe that we're gonna make mistakes and I would rather make them quick and then learn from them and then fix it again than lollygag around and try to over-design things.

### The Social Constructionist Perspective Of PSA

As with the social construction of SCORE, the social construction of PSA involves the creation of binary distinctions between what is emphasized or ignored. For example, in the NYC case we initially focused on the construction of common ways of manufacturing *Electrical Manufacturer's* products at the NYC company's facility. The sales force created a very urgent superordinate goal by accepting orders and promising delivery dates for products that had never been manufactured at the NYC company's location. All who became involved in the effort to meet these objectives became quickly focused on constructing the required PSA. My role as integration manager was to identify those whose effort was required and facilitate the construction of these socially constructed patterns.

The social construction of PSA is similar to that of SCORE in that neither process occurs without effort. As with the construction of SCORE, we must engage in cycles of deconstruction of existing patterns of behavior, or taken-for-granted ways of doing things, in order to reconstruct common patterns that allow for the kind of synchronized action suggested by the football and basketball metaphors presented above.

Another way in which the social construction of PSA is similar to that of SCORE is that a necessary first step to engage in the cycles of deconstruction and reconstruction is to acknowledge the existence of those features we would like to combine. Further, as with SCORE, an appreciative approach can be used to identify these features. A director of customer service suggested such an approach:

> I got to believe when you go and acquire a company there's something they've done right…. I think we need to go in there and not always just jump right on top of them and integrate all our policies on them. There's reasons we have to do certain things our way, but you shouldn't just come in and ramrod [our ways], and … just suck out all the life of the things that made that company successful. And we don't know what made that [company successful]. I mean, each acquisition's different. Was it the sales department that was just super special? Was it the "I can" attitude in customer service that made it happen? The engineers were just incredibly sensitive to the market and made those changes happen? I don't know what it is, but you need to go in there and find out what made that company successful… [so] let's find out why they did well, and is there something that we can learn from that and maybe we need to change the way we do our policies or practices rather then forcing our policies and practices on them?

However, as a director of engineering pointed out, since developing shared PSA requires effort, it may be necessary to put those who must collaborate in a "shared boat" as soon as possible after the combination is finalized. Doing this, as he points out, requires the development of communication "pipes" between combining personnel:

> Why can’t you consciously decide you’re going to build those pipes up front? If there’s a program management director in product development in company X who’s the counterpart [of someone] in company Y, … why can’t you get those two in dialogue?… You have to put ‘em in a shared boat, so to speak, [to] solve … any problem that’s shared together, and that’s what was the catalyst in [our efforts to collaborate on preparations for an upcoming quality audit], ‘cause had I met with my counterparts without the problem to solve, we … might have had a nice discussion for an hour or two, but it wouldn’t have been of any consequence. “Oh, you do it differently. Oh, that’s nice. It doesn’t really matter to me.” [laughs]

When these “pipes” are built, the integration process can become as accelerated as “turning up the heat on a pot of water,” to quote the president of the combined manufacturing company:

> [I] try to develop an expectation of the communication level that’s required to accelerate the … integration process…. To me that’s the biggest deal. That’s the real key. If you can do that, then it is like turning up the heat on a pot of water. You can get the molecules bouncing off each other a lot faster in that pot with more heat. And … developing … the lines of communication, … and then we gotta get ‘em wide open and get ‘em bouncing back and forth as fast as possible. I think that process, in and of itself, has been the biggest lesson for me and the real key to why this last one has worked so well.

### Limitations on the Need for PSA

As noted above, it is neither practical nor desirable to deconstruct and reconstruct every pattern used in combining organizations, and an effective integration strategy articulates the areas in which PSA are required versus those that are best operated autonomously. Further, as noted by the vice president of finance who described the mapping system designed to translate the financial results of an acquired organization into the acquirer’s format, a combining organization may elect to take incremental steps towards the full development of PSA. In this example, financial results were initially uploaded at only a summary level into the acquirer's system by developing a manual mapping system to translate similar accounts. Later, a more automated approach was developed, but neither of these initial steps required the installation of a new system at either of the combining organizations.

This example illustrates several important features of effective integration. First, many aspect of integration are not black-or-white, all-or-nothing decisions between the dominant and weaker partners. Rather, with a measure of dialogue and cooperation, clever hybrid systems of PSA can be developed, used for a while, and then refined in the continual processes of deconstruction and reconstruction. The vice president quoted above reflects this thinking with his comments that "we did that manually, initially, and then simply just built a computer program that had that map." Thus, as the priorities of integration change or as new needs emerge, effort can be shifted to developing PSA at various levels of sophistication in various areas of the combining organization. Second, as the technical nature of this description illustrates—including references to the "chart of accounts," "trial balance," and other specific financial language—much is this integrative work is best performed by those who use this language on an everyday basis. Finally, this example illustrates the social constructionist emphasis on language as a means of constructing reality. The challenge addressed in the example above was that of developing a "map" or translation from the language used to report financial information at the acquired company to that of the acquirer.

### Proposition Regarding PSA

The social constructionist approach to developing PSA as part of an M&A integration strategy is summarized by the following propositions:

Proposition 4a: *An M&A integration approach will be more effective if it provides the opportunity for those involved to develop PSA as required to facilitate concerted action and shared understandings.*

Proposition 4b: *An M&A integration strategy will be more effective if it provides guidance regarding the priorities for constructing PSA in certain areas of the combining organization.*

## *Appoint an Integration Manager to Facilitate the Construction of Meaning*

The final theme presented in Chapter 4—unclear leadership—is addressed through the proposal that those who initiate combinations must *appoint an integration manager to facilitate the construction of meaning*. Unless this is done, integrative efforts are likely to fall prey to chaos and, in the words of a vice president of finance, “you wind up not getting the optimal benefit of the process.”

In this section, several elements of the role of the integration manager are explored. First, *the social constructionist perspective of the integration manager* is articulated. Second, several *key elements regarding the design and staffing of this role* are explored. Finally, a *proposition regarding the role of the integration manager* is presented.

## The Social Constructionist Perspective of the Integration Manager

The four roles played by integration managers identified by Bahde (2002) were presented in the literature review chapter, and my contributions in the NYC case were presented in the Chapter 5. In this section, the last of the four roles presented above—the *reality constructer*—is examined through the social constructionist lens.

As noted above, the key function of the integration manager as a reality constructer is the facilitation of the construction of a shared reality among members of combining organizations. For example, I began the solidified the social construction of the combining organization in the NYC case by documenting the minutes of the initial integration strategy session, and by sharing this strategy with the many individuals who became involved in the integration effort. I also facilitated the development of PSA required to manage the combined organization, such as the accounting policy described in Chapter 5.

Shotter (1993) describes the manager's role from a social constructionist perspective as that of making history. From this perspective, the manager's role is to face unchosen, ambiguous situations and develop a range of possible actions for facing the situation. Next, the effective manager develops a position regarding why a particular course of action should be taken, and then argues persuasively for their position. When this is done, the effective manager authors the course of action taken by others. As such, this leadership role is different than many traditional descriptions. This is a leadership of the way the world is perceived and, as a result, what should be done.

This type of leader can have important impacts on each of the four aspects of the social constructionist approach to M&A integration presented in this chapter. First, the integration manager functions as a carrier and disseminator of the integration strategy. Although the integration manager need not participate in the development of the initial integration strategy, once it is established the integration manager communicates it to others and manages the emergence of the integration strategy as more is learned during the process. For example, one way in which I successfully managed the emergence of the NYC company integration strategy was to broaden the definition of products offered in the target market. At the same time, I strove to prevent this definition from becoming so broad as to overwhelm our limited resources. However, I was less successful in managing the emergence of the integration strategy in regard to other aspects of the combined organization due to the impact of the “core” of *Electrical Manufacturer*. Below I offer recommendations for avoiding these shortcomings.

The integration manager also facilitates the engagement of the whole system in the construction of meaning regarding the integration process. There was no whole systems session at the outset of the integration process in the NYC case, so I attempted on my own to engage others in pursuing the integration strategy. Further, by monitoring reactions to the integration strategy, I attempted to manage its emergence.

Integration managers also help to overcome debilitating ambiguity and a diffuse focus by creating a focus on the SCORE advocated in the integration strategy. Thus, using Shotter's model to illustrate this aspect of my work in the NYC case, I carried forward the integration strategy to delimit the possible range of options facing those involved in integrating the NYC company and attempted to persuade others of the importance of the SCORE advocated in this integration strategy.

Finally, integration managers facilitate the development of PSA that make possible concerted actions between combining personnel. Several examples that illustrate this aspect of my involvement with the NYC integration effort are presented above.

### Key Elements Regarding the Design and Staffing of this Role

As noted in Chapter 5, I was only partially successful in leading the NYC integration effort. In this section, I offer suggestions for the design and staffing of the integration manager role to help others overcome the challenges I faced.

#### Structure and Power of the Role

Galbraith (1995) provides guidelines for the design and staffing of integrating roles that are highly relevant for the design of M&A integration managers. First, Galbraith notes that the "ideal structure is to have the integrator report directly to the general manager" (p. 68). As noted above, I struggled to maintain a focus on the initial NYC integration strategy in part because I reported to a functional vice president who disagreed with this strategy. Further, as noted in Chapter 5, the division president—who was the general manager to whom I might have reported—said, "Probably the … thing that … we should've done is … made you king…. and nobody could touch ya because you reported to me."

Two other structural choices could have provided me with a more powerful and persuasive (Shotter, 1993) status. First, I did not have independent budget authority. Rather, I had to secure approval for travel plans and other potentially helpful integrative actions from the functional vice president to whom I reported. Second, I had no formal power in the form of reporting relationships with any of the people whose effort was required to further the integration. As Galbraith explains, one option for providing integrators with this latter kind of power is to establish a matrix organization in which certain individuals have dual reporting relationships. Had we taken this approach, the personnel in product development, purchasing, accounting and other functions who contributed to the integration process could have retained functional reporting relationships but could also have reported to me on a project basis. However, this approach can create significant conflict unless a common direction is established among those involved. The methods described in this chapter are intended to develop that common direction.

**Staffing Choice**

Galbraith (1995) also provides recommendations regarding the staffing of integrator roles. According to him, the qualities which make for good general managers may not be the same as the qualities required by integrators. Rather, for integrators, "[t]he key is to select people who have the interpersonal and networking skills to be personally persuasive. Technical skills are desirable but secondary" (p. 70). Galbraith also suggests rotational assignments early in the careers of potential integrators to help build a network of contacts, develop generalist skills, and learn influencing skills.

### Proposition Regarding the Role of the Integration Manager

Proposition 5: *An M&A integration process will be more effective if it is led by an integration manager whose role is designed with the proper structure, power, and staffing*.

# Chapter 7: The SCORE Method of M&A Integration

## *Introduction*

In this chapter, a new metaphor to guide the social constructionist approach to M&A integration—*riding the whitewater*—is proposed and described. Next, the SCORE M&A integration planning method is proposed as a practical method for employing the social constructionist approach to M&A integration. A hypothetical application of this method is illustrated by showing how the NYC integration strategy might have been clarified had this method been used.

## *Riding the Whitewater of M&A Integration*

### The Value of Metaphor

Gergen (1994b) noted the generative quality of metaphor, or the ability of an effective metaphor to "create a novel visualization that may unify a range of diverse concepts" (p. 144). To summarize Gergen, a compelling, generative metaphor offers immediate recognition of the dynamic complexity of phenomena otherwise described by dense, abstract theory. Further, generative metaphor can draw an audience into the social construction of ways of understanding a phenomenon they find interesting and thereby make them full participants rather than passive recipients of theory.

The complexity of the M&A integration process, and the extensive work presented above in the attempt to shed light on how this process may be conducted more effectively, certainly reflect “a range of diverse concepts.” Because of this, and following Gergen, the metaphor of *riding the whitewater* is adapted as an accessible and, hopefully, generative metaphor for the process of combining organizations.

## Riding the Whitewater: A New Metaphor of M&A Integration

Peter Vaill (1989, 1996) proposed the metaphor of *permanent whitewater* to describe the turbulent change that characterizes many organizations. Vaill also employed the imagery of an explorer to describe the effective manager, as in the following:

> It is the nonexplorers who rather naively assume that once that have a clear, sharp picture in mind of where they are going, they can trust that picture through to the end. To be an explorer is to not know where, precisely and concretely, one is going. (p. 45)

In the NYC case, I naively assumed that the “clear, sharp picture” provided by the initial integration strategy would carry us through the process “to the end.” However, as I discovered, we would have been more successful if we adopted Gergen’s (1994a) call for a “continuous process of creating and transforming meaning” (p. 245). Had we done the latter, we—like the explorers described by Vaill—might have created an emergent integration strategy that accounted for all we learned during the process.

Ashkenas and Francis (2000) employed imagery similar to Vaill when they described the integration manager as an *expedition guide* who “shepherd[s] everyone through the rocky and often uncharted territory that two organizations must cross before they can function as one” (p. 108). Adapting this metaphor to the context of permanent whitewater, I propose the notion of an integration manager as a whitewater rafting captain. From this view, the initial role of the integration manager is to orient the participants to the rigors of the upcoming journey, explain the methods that must be used, stress the importance of teamwork, and provide leadership for the process. Once underway, the integration manager steers the boat, gives commands to paddle, interprets the movement of the water and the actions required by the participants to adjust to the movement, and adjusts the integration strategy when required.

To evaluate the whitewater rafting metaphor, I asked a colleague to describe his experience with this activity. His response:

> Exhilarating. The freedom. The unknown. Not knowing what's coming around the next corner. The adrenalin rush. A high for me, it's a great high. I love exciting things. The unknown, the challenge of the unknown…. It keeps me pumped up. And I find it very relaxing. The high at the end is very relaxing.

I asked him, "What's it like learning how to do all the stuff, and working with others in the raft?"

> You do pull as a team, and everybody comes together …, and as long as the team is provided clear instructions—and most of the river guides are excellent in terms of telling you what to expect as you're going into different types of rapids, how you'll be pulling to the right, to the left. And when your team leader tells you, "Right side hard, left side back," to keep yourself going straight, … everybody needs to work cohesively and in unison…. If not, the raft tips, or gets stuck back in a water eddy…. Sometimes taking off backwards off a rapid.

I said, "So you can either get destabilized or you can get stuck." This thought was reminiscent of most M&A integration efforts I have seen.

What differentiates the typical integration process from whitewater rafting? First, as the merger syndrome suggests, many associate integration with negative emotions such as fear, anxiety, and the psychological equivalent of death rather than the exhilaration, freedom and excitement described above. Second, most integration efforts lack the clear leadership provided by effective whitewater river guides. For example, I rarely shouted orders such as “right side hard, left side back” during the NYC company integration, and had I done so it was likely that I would have been ignored.

What might we learn from the metaphor? First, it may be possible to deconstruct the typical view of M&A integration as a traumatic, anxiety-ridden event and reconstruct it as similar to a whitewater rafting trip characterized by exhilaration and “the challenge of the unknown.” Second, a clear leader—one who knows the local terrain and who has the authority to expect compliance with decisions made on the fly—is imperative. In saying this, I am not advocating the traditional authoritarian leader who silences dissenting views. Rather, I suggest that what is required is a powerful situational leader whose role is acknowledged as necessary by those involved to keep them from getting destabilized or stuck.

### Comparison of the Whitewater Metaphor to Other M&A Metaphors

The whitewater rafting metaphor offers a clear alternative to the common existing M&A metaphors of marriage and death. Compared to the marriage metaphor—which focuses on the selection of the partner, the honeymoon period, and issues of stability and compatibility—the whitewater rafting metaphor is much more dynamic. Rather than seeing M&A as an irreversible commitment which, once made, should forge the strong partnership required for success, we may come to see M&A as a process which requires significant coordinative effort among large groups. Compared to the death metaphor, we may come to see M&A as an exciting, somewhat risky process that can be a peak experience rather than a painful ending.

## *The SCORE M&A Integration Planning Method*

As noted above, M&A efforts are typically pursued to create SCORE. However, all too often the integration strategy required to pursue these combinations of valuable, complementary remains vague, and the focus during integration is diffused from the creation of SCORE to less urgent actions which create less economic value or even destroy value. To address this challenge, in this section I propose a methodology which focuses on the articulation of strengths and synergies in the combining organizations. A number of charts that could be utilized during the integration strategy development process are also proposed. Used together, these charts could be completed during a relatively brief session, perhaps during the few days prior to the announcement of a combination, by the senior management teams from each of the combining organizations. Assuming that consensus could be achieved and the deal closed, the charts could then be disseminated among the whole system immediately after the announcement to explain the integration strategy developed during due diligence and make adjustments based on the input of the larger group. These adjustments could be immediately updated on the charts that could then be redistributed to the group. Further, as the integration process progresses, periodic updates could be conducted with the initial or adjusted integration strategy as a focal point.

### Building Consensus Around SCORE

Figure 2 shows an integration strategy development process called the *SCORE Strategy Development* process. The process was derived in part from the AI method (e.g., Cooperrider & Srivastva, 1987) and retains the focus from this method on identifying strengths rather than creating solutions to perceived problems. This focus on strengths is reflected in question one in Figure 2, which is designed to identify the *critical success factors* (CSFs) in place at each of the combining organizations. However, unlike the AI methodology, the SCORE method moves immediately into an evaluative mode in question two by encouraging those taking part in this exercise to “candidly assess those [strengths] which are critical versus those which are collateral.” The intent is to quickly develop a focus on only those factors, which are truly critical to the combination process and avoid the tendency to become distracted by collateral issues. Next, in question three the group is asked to evaluate the degree of common ground regarding the CSFs among the group. This is important since reaching consensus about an integration strategy is a critical element of success. That is, if consensus cannot be reached regarding the CSFs in place at each of the combining organizations, if will be very difficult to develop consensus around a strategy designed to pursue the SCORE which might be constructed from these strengths.

(1) What are the **critical success factors** (CSFs) of each of the combining organizations, which have implications for the combined organization? CSFs are those *rare strengths* without which an organization would fundamentally cease to be the organization as we currently know it. Well-known examples might include innovation at 3M or quality at Toyota.

(2) After the CSFs are identified, revisit the list and candidly assess those, which are critical versus those that are **collateral**. The latter are strengths which, although valuable, are competencies which not absolutely critical to the success of the combined organization.

(3) Determine the degree of **common ground** achieved during the first two steps. The determination of common ground need not imply absolute unanimity of thought, but should imply general consensus.

(4) Drawing from the CSFs identified above, determine the **synergistic combinations of complementary resources (SCORE)** that provide the best opportunities for the creation of economic value. These synergistic combinations become the focus of the integration strategy.

(5) Create preliminary **actions plans** to achieve each of the synergistic combinations identified above. Identify the *key people responsible* for taking these actions as well as the *target dates* for accomplishing these actions.

(6) Finally, develop a **superordinate goal** that has the potential to energize the combined organization to pursue the integration strategy. Examples might include the development of a key competitive advantage as compared to rivals, or the creation of an innovative or special product or service that is unique to the combined organization.

**Figure 2. SCORE Integration Strategy Development**

In question four, the group is asked to identify opportunities to combine the CSFs identified in the first three steps in order to create opportunities for SCORE. In question five the group focuses on the actions plans required to pursue these synergistic combinations, and question six encourages the group to identify a superordinate goal which can be used to catalyze the change process. Examples of superordinate goals might include the development of a key competitive advantage as compared to rivals, or the creation of an innovative or special product or service that is unique to the combined organization. The intent of this final step is to generate enthusiasm for the change process by creating passion for the combination objectives.

### Constructing Initial SCORE Strategies

Figure 3 presents a brainstorming chart used to facilitate the generation of strengths and evaluate whether the strength is critical or collateral for the combining organization, as well as the degree of consensus reached in this evaluation. As Figure 3 shows, a hypothetical example of how this tool might have been used for the NYC combination is depicted. For this example, assume that the two principals of the NYC company and the entire senior management staff of *Electrical Manufacturer* met offsite for several days prior to the announcement of the acquisition. Further, assume that the meeting had been planned for some time, and that the acquired principals knew both what to expect from the session and why the members of the acquiring company felt it was important to conduct the session. Having these discussions prior to the session might have avoided the reaction of one of the acquired principals to the initial integration strategy session who “felt put upon … [and that he] was being managed” during the initial strategy session.

| | Sustainable Strengths | Critical Or Collateral? | Common Ground? Yes or No? |
|---|---|---|---|
| ① | Our ability to service our customers (NYC) | Critical | Yes |
| ② | Market knowledge/customer relationships (NYC) | Critical | Yes |
| ③ | Relationship with local union (NYC) | Collateral | Yes |
| ④ | Product design capabilities (NYC) | Collateral | No |
| ⑤ | Breadth of commercial product line (EM) | Critical | Yes |
| ⑥ | Capital resources (EM) | Collateral | Yes |
| ⑦ | Manufacturing expertise (EM) | Critical | No |
| ⑧ | Effective information systems (EM) | Collateral | No |

**Figure 3. Brainstorming Chart: Strengths and Common Ground**

In the pre-announcement session, the members of the combining organizations would have been asked to brainstorm a list of strengths using question one from Figure 2. Next, questions two and three in Figure 2 would have led the group to make the evaluations recorded in the second and third columns of Figure 3. In actuality, the participants might have filled several charts during the brainstorming of strengths and then later designated many of these as only collateral to the success of the combined organization. However, for purposes of this illustration, I have assumed that the group worked very efficiently and required only a single chart to reach consensus.

The exercise of completing the chart shown in Figure 3 would likely lead to a large amount of data, much of which would not be pertinent to the challenge of creating a highly focused integration strategy. Thus, the summary chart shown in Figure 4 is used to create a highly visual image of the consensus developed at this point. The chart presents each the strengths identified using the methods above in one of four quadrants depending on its designation as a critical or collateral strength and the degree of consensus about this designation.

### Summary of SCORE Strategies

Employing a soccer metaphor to appeal to combining groups worldwide, a strength designated as collateral about which there is little consensus is placed in the lower-right quadrant and would be awarded a *red card*. In soccer, this indicates a penalty so serious that the perpetrator is removed from the game. During an integration strategy development process, these items would be removed from further consideration.

Strengths designated as collateral about which there is a high degree of consensus would be placed in the upper-right quadrant and would be awarded a *throw in*. In soccer, this is a free throw that can be directed toward a teammate. As such, this is not a particularly good or bad thing, and during an integration strategy development process these items would likely be ignored. However, creating a shared understanding of collateral strengths around which there is a high degree of consensus could become an important component of later strategies.

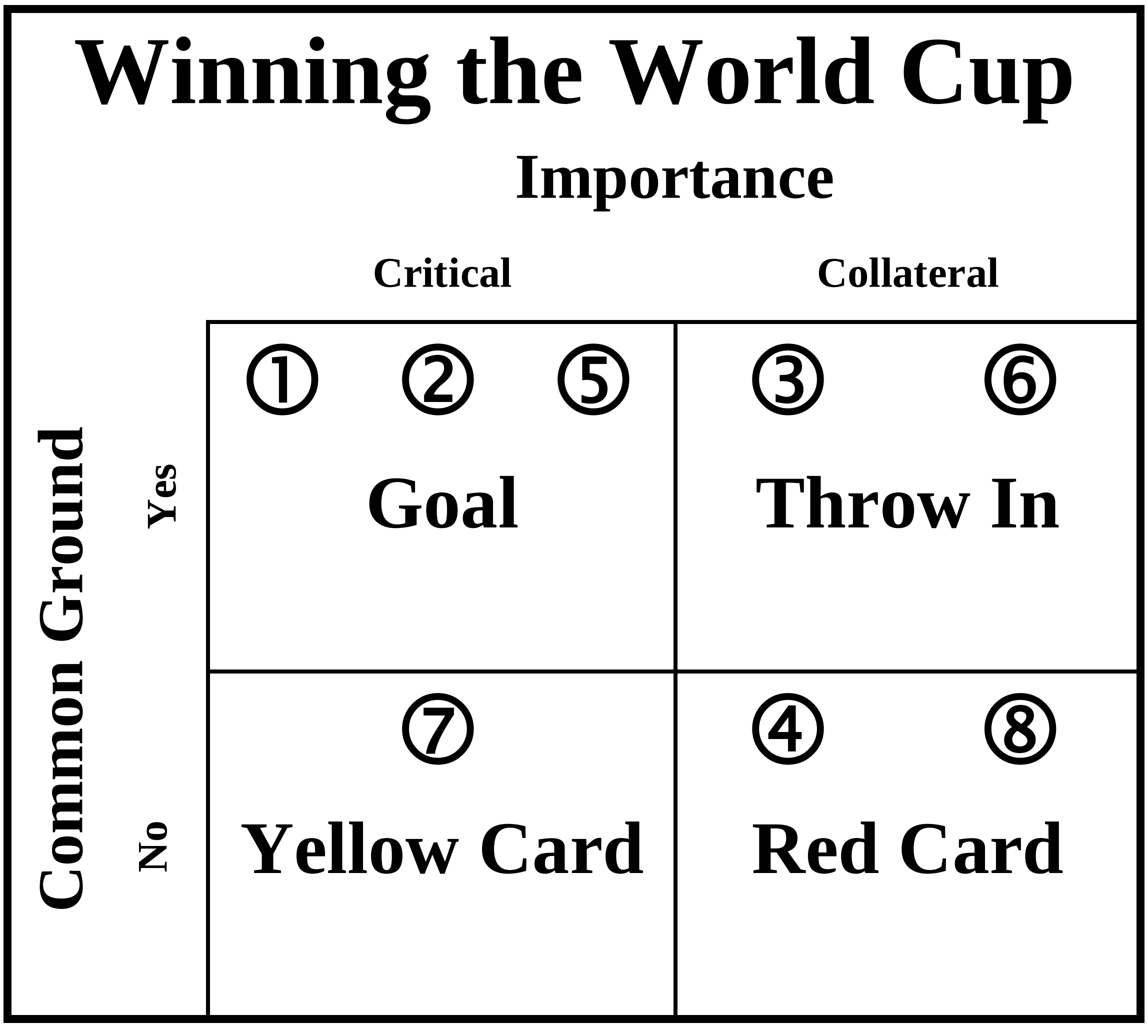


**Figure 4. Summary Chart for Critical/Collateral Strengths and Common Ground**

Strengths designated as critical but about which there is not a high degree of consensus would be placed in the lower-left quadrant and would be awarded a *yellow card*. In soccer, this indicates a penalty, but one which is not as serious as a red card, and the perpetrator remains in the game. During an integration strategy development process, items awarded yellow cards might present important dilemmas to the combining management team as some see these strengths as critical while others do not. Lack of consensus in these areas need not indicate that the combination process is doomed, but it certainly indicates that further work is required to get the team on the same page.

Finally, strengths designated as critical about which there is a high degree of consensus would be placed in the upper-left quadrant and would be awarded a *goal*. In soccer, as in other activities, the meaning of this designation is clear: These are the elements of the combining organizations that should become the focus of the integration strategy.

The process depicted in Figures 3 and 4 might best be completed for both the acquiring and acquired organizations before proceeding to question four in Figure 2. Assuming that this approach was used, the combining management team would have a highly visual identification of the CSFs in place at each organization around which there was a high level of consensus. For example, as Figure 3 shows, the goals identified for the NYC combination included (1) the NYC company's ability to service their customers, primarily due to short lead times, (2) the NYC company's market knowledge and customer relationships, and (5) the breadth of *Electrical Manufacturer's* commercial product line. Following the social construction approach to M&A integration, these are the elements that are combined to construct SCORE. All other factors would be ignored, at least initially, to provide a focus on only those elements that maximize the creation of economic value.

### SCORE Board

Figure 5 shows a tool used to articulate SCORE. Using combinations of the goal items charted in the upper-left quadrant of Figure 4, the task of the combining management team is to identify unique strengths which, when combined, allow them to construct SCORE. For example, Figure 5 shows how the three goals in the NYC case might have been combined. The first of the two SCORE combines the broad commercial product line of *Electrical Manufacturer* with the NYC company’s ability to serve local customers. The second of the two SCORE also employs the broad commercial product line of *Electrical Manufacturer*, but this integration strategy is focused on marketing the unique capability created due to the combination. The required actions shown in Figure 5 represent only a few of actions actually required to create each of these SCORE, but the list would have been adequate for a pre-announcement integration strategy. The specific actions required to address these strategies would be identified and socially constructed by the people who assumed responsibility for these tasks.

With this step completed, the foundation for an integration strategy would have been established. The items shown in Figure 5 would become the focus of the integration strategy, and other strategies would be postponed or abandoned. With this integration strategy in place, the group would have been ready to address question five in Figure 2, which focuses on the articulation of a superordinate goal to provide motivation for the combination.

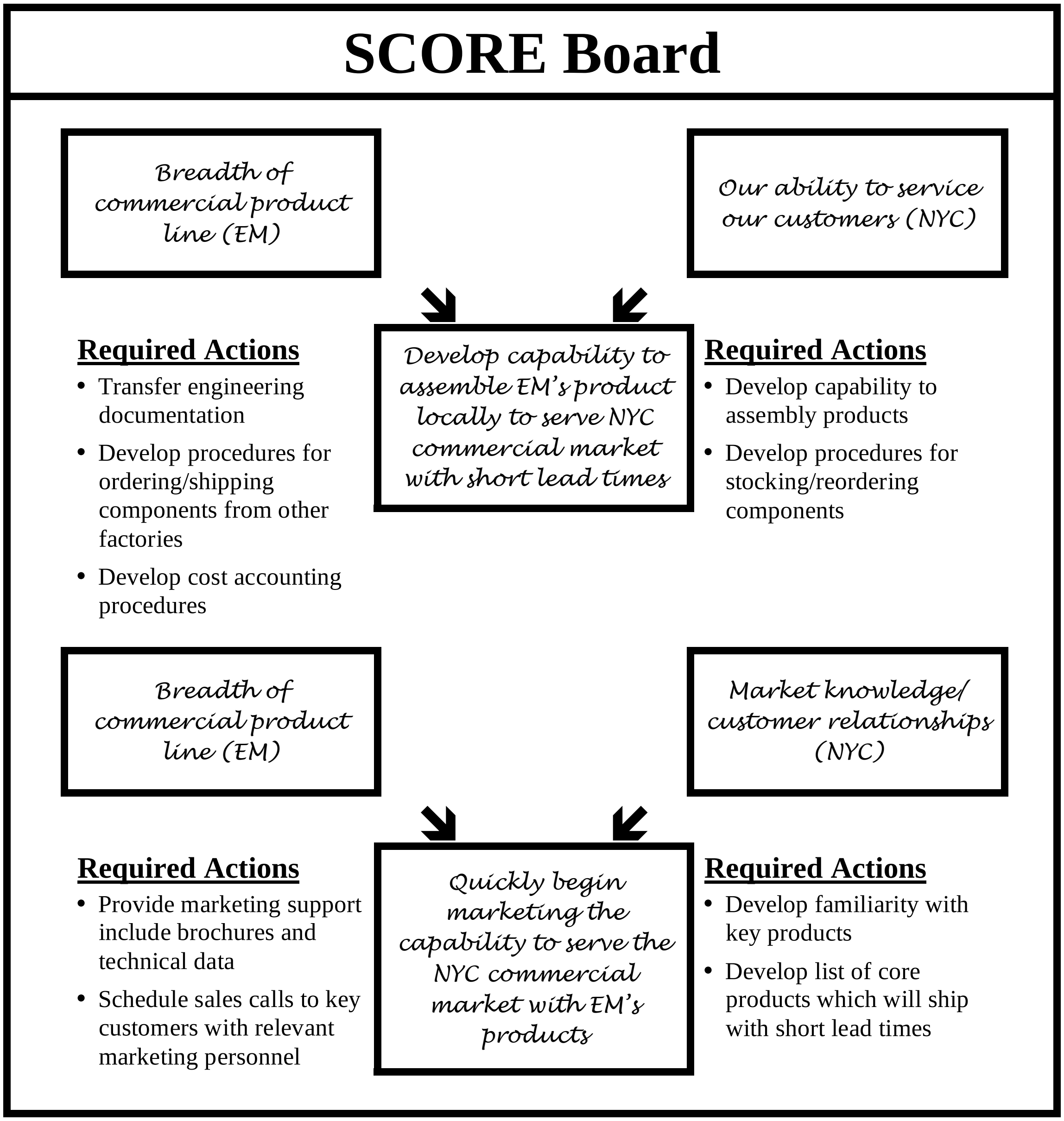


**Figure 5. Chart for SCORE Board**

For example, in the NYC combination an appropriate superordinate goal might have been the opportunity to outperform a key competitor that had dominated the NYC market for many years. Since this competitor had recently closed a facility located in the NYC area as part of a cost-cutting program, the NYC combination offered a unique opportunity to penetrate a market previously unavailable. This opportunity might have provided the kind of persuasive argument suggested by Shotter (1993), which is characteristic of effective managers.

## Summary of Tools Used in the SCORE Method of M&A Integration

The completion of the tools shown in Figures 2-5 would have provided several benefits to the combining NYC management team. First, completing the tools would have engaged them in dialogue regarding the elements of their organizations, which they regarded as most valuable for the combined organization. Second, this dialogue might have led to the development of a shared, core vision of how economic value was to be created as a result of the combination. Differences of opinion could have been aired and explored, and a greater degree of consensus might have been developed. Third, the completed tools would provide a tangible product of an integration strategy session which would provide a kind of evidence to all involved that the senior management teams of the combining organization had developed common ground and established a shared strategic direction for the NYC combination. Fourth, the charts could have been used immediately for conveying this direction to the whole system of people it affected. This would have provided a highly relevant language which those involved might have used to construct the reality of the combined organization. For example, if a person involved in the process observed actions taken which were inconsistent with the integration strategy, they might have drawn reference to the stated integration strategy to challenge the action. Finally, the charts could also have been immediately updated as the integration strategy emerged during post-announcement integration strategy sessions and periodic progress updates.

# Chapter 8: Conclusion

## *Directions for Future Research*

The grounded theory approach employed in this project is designed to develop theory for areas in which existing theory is lacking. As such, the results of such a process create only the beginnings of work in a domain, and there are many opportunities for additional work. A few of these opportunities are presented below.

### Additional Construct Development of the M&A Integration Process

Despite an initial effort to explore the M&A integration process in a comprehensive way using the questions presented in Appendix 2, the amount of qualitative data collected in the project far exceeded the constraints of this dissertation. Further, there are many additional questions regarding effective M&A integration process, which were excluded or only tangentially addressed by the interviewees. One such area is the potential effectiveness of *SWAT teams* to accelerate the combination process. Only one interviewee presented experience with such an approach, and his comments on this topic were quite limited. Other constructs identified by interviewees, such as *sunk costs*, *demotion*, and the use of a *documented approach* to conducting the combination process, were addressed briefly by only a small number of interviewees. Other constructs that may offer promise in improving the integration process were likely ignored in this research, and other grounded approaches may capture new insights or shed new light on the constructs presented above.

## Refinements to the Social Constructionist Approach to M&A Integration

The grounded theory presented in this thesis represents an initial effort to articulate the social constructionist perspective of M&A integration. As such, this work has likely raised more questions than provided answers. Four areas in which further work is especially merited are suggested. First, the M&A leadership role as presented in this thesis was focused on the potential contributions made by a fully empowered integration manager. However, largely ignored in this thesis was the role of senior management in planning and leading integration efforts, especially the senior executive responsible for the combined organization. The visible support of such an individual for the measures required for a successful application of the social constructionist approach to M&A integration is likely to be a critical success factor. For example, as explained above, one of the challenges I faced in the NYC combination was that I reported to a functional vice president who took issue with the general direction of the integration strategy. As a result, the division president concluded that he should have made me the "king" of the integration effort reporting directly to him. What other actions are required from senior managers to make the social constructionist approach to M&A integration more successful? Future research could provide useful answers to this question.

The second area in which this thesis is largely silent concerns the specific contexts in which the social constructionist approach to M&A integration may be most effective versus those in which it will be less effective. For example, in which of the five types of combinations identified by Bower (2001) would the social constructionist approach work best? It seems likely that the social constructionist approach would be less effective when M&A is pursued primarily to eliminate overcapacity in mature industries (the first of the five combination types suggested by Bower) since the primary integrative actions in these circumstances typically consist of personnel downsizing, facilities closures and other actions that are largely destructive rather than constructive. Conversely, it seems likely that the social constructionist approach would be more effective when M&A is pursued for each of the four other reasons described by Bower including (a) geographic roll-ups, (c) product or market extensions, (d) M&A as a substitute for internal research and development, and (e) the invention of a new industry which occurs as prior market boundaries erode. Might the social constructionist approach be particularly effective in any of these four latter circumstances? Further, might the social constructionist approach be more effective when used to integrate combining organizations involved in a merger of equals as opposed to an outright acquisition, or perhaps in the formation of strategic alliances or joint ventures? As above, future research could shed important light on these and related contextual questions.

Finally, although this thesis briefly addressed the role of power in M&A integration, a more focused inquiry could be helpful. For example, many still advocate the "winner take all" approach to M&A integration despite compelling findings presented in the literatures on empowerment, whole systems change approaches and other approaches that advocate shared power. Further inquiry in this area would be particularly valuable.

### Case Studies Using the SCORE M&A Integration Approach

The proposed SCORE M&A integration methodology has not been used in an actual combination, and it is critical that any attempts to do so become documented as case studies to help determine if the promise indicated by the proposed approach can be realized in actual cases. Further, cases studies may indicate which elements of the proposed methodology are most valuable, and which elements can be discarded with little effect.

### Empirical Tests of the SCORE M&A Integration Approach

Empirical tests of the proposed methodology would also be helpful. There are at least three approaches to conducting empirical analyses of M&A integration approaches. First, one can attempt to locate opportunities to evaluate the effects of different integration methodologies in matched cases as Schweiger and DeNisi (1991) did in their longitudinal study of the effects of the presence or absence of a *realistic merger preview* in two matched factories of a company involved in a merger. Second, one can simulate the conditions of a combination event in a laboratory and measure the effects of different approaches to integration, although the threats to external validity in this approach are substantial. Finally, one can use the *case survey approach* (Larsson, 1993), which provides empirical analysis of a large number of cases to draw conclusions regarding the efficacy of various approaches used in the cases. However, the primary deterrent to using this approach to evaluate the SCORE integration methodology is that there are no known cases to evaluate.

### Further Study of the Role of the M&A Integration Manager

Another area rich with potential for future research is the role of the M&A integration manager in facilitating and accelerating the combination process. Except for one paper published in the *Harvard Business Review* (Ashkenas & Francis, 2000) and another presented at a conference (Bahde, 2002), this important topic has been all but ignored. Further, an exploration of how M&A integration managers, as well as others who perform boundary spanning roles, facilitate the social construction of changing environments is yet another area rich with potential.

### Broader Applications of the Social Constructionist Perspective in Organizational Studies

One final area in which future research can provide valuable contributions is in proposing and evaluating broader applications of the social constructionist perspective to organizational studies. This thesis focused on a relatively narrow area of practice, and this focus likely contributed to the success of the grounded theory process by limiting the number of extraneous variables that might have clouded the theory building process. However, this thesis also suggests two broad areas for which the social constructionist approach may have important implications. First, the study of strategy development has undergone dramatic changes in recent years, and is currently characterized by debate among those who favor three primary schools of thought (Fuchs, Mifflin, Miller, & Whitney, 2000): (a) the industry positioning school (e.g., Porter, 1979, 1980, 1985, 1987, 1996), the resource-based school (e.g., Barney, 1991; Hamel & Prahalad, 1994), and the process school (e.g., Collins & Porras, 1994;

Ghoshal & Bartlett, 1997; Miller & Whitney, 1999). Although some work (e.g., Fuchs et al., 2000) has attempted to synthesis these perspectives, the social constructionist perspective offers much promise for continuing this synthesis due to the focus it provides on the way people construct strategies and other ways of portraying reality. Given this metatheoretical perspective, the social constructionist approach is ideally suited to synthesizing the way in which people account for apparent disparate factors such as the position their organization holds in an industry, the resources they have at hand, and the process through which they might more effectively develop and enact strategies.

The second area in which social constructionist thinking can provide a valuable contribution to organizational studies is the study of organizational change. Except for Cooperrider's (e.g., Cooperrider & Srivastva, 1987) pioneering work in developing AI, the social constructionist perspective has been largely ignored by organizational change theorists. The promise for a general theory of change from a social constructionist perspective is immense.

## *Conclusion*

The M&A integration process has been extensively studied, yet no well-accepted methodology for improving the success of these efforts has been developed. The social construction, or SCORE, approach to M&A integration is proposed to fill this void. The approach requires those leading integration efforts to acknowledge the need for the various people who are affected by a combination effort to engage in dialogue and develop consensus around a clear integration strategy. Further, it requires that the whole system of people involved in the combination socially construct common courses of action, or PSA, focused on constructing SCORE from strengths contributed by each of the combining organizations. Lastly, it requires the coordinative efforts of an integration manager who clarifies and facilitates the emergence of the integration strategy, who facilitates the construction of PSA, and who in many other ways leads the process of socially constructing the combining organization. By investing the time and effort required to develop this kind of integration strategy at the beginning of the combination process, the potential for success in combination efforts may be greatly increased.

# Appendix 1: Grounded Theory Project Timeline

| | |
|---|---|
| **Stage 1—Participant Observation (April, 1995–March, 1999)** | |
| Feb., 1995 | I join *Electrical Manufacturer* as a manager of strategic planning |
| Mar., 1995–Sep., 1996 | I am involved in numerous evaluations of acquisition opportunities and due diligence processes (e.g., financial forecasting, evaluations of operating and marketing synergies, etc.) |
| Apr., 1995 | JV due diligence process begins |
| Jul., 1995 | JV integration strategy development begins in Hong Kong and China |
| Dec., 1995 | Finalization of JV integration strategy and due diligence process in Hong Kong |
| Jan., 1996 | JV announced; first integration manager appointed |
| Sep., 1996 | First integration manager quits; I replace him |
| Dec., 1997 | I am appointed integration manager for an acquired, family-owned business |
| Oct., 1998 | Operations manager appointed at the acquired, family-owned business |
| Dec., 1998 | My involvement with the acquired, family-owned business ends |
| Mar., 1999 | My involvement with the JV ends |
| **Stage 2—Open and Axial Coding (October, 2000–August, 2002)** | |
| May, 2000 | Began Benedictine University Ph.D. program in organizational development |
| Oct., 2000 | Identified M&A integration as a potential dissertation topic |
| Jan., 2001 | Selected M&A integration as a dissertation topic |
| Mar., 2001 | Presented at the *Organization Development Network* (Chicago, IL) |
| May, 2001 | Presented at the *Organization Development Institute* (*ODI*, Wheeling, IL) |
| Jul., 2001 | Drafted initial literature review and process theory |
| Aug., 2001 | Presented at the *Academy of Management* (Washington, D.C.) |
| Nov., 2001 | Presented at the *Southern Management Association* (*SMA*, New Orleans, LA) |
| Dec., 2001 | Attended *Positive Organization Scholarship* conference (*POS*, Ann Arbor, MI) |
| Dec., 2001–Jan., 2002 | Conducted interviews focused on the role of the M&A integration manager, coded data, and drafted a description of this role |
| Feb., 2002 | First draft of dissertation proposal; focus was a mixture of the role of the M&A integration manager and the overall integration process |
| Mar., 2002 | Presented at the *Western Academy of Management* (*WAM*, Santa Fe, NM) |
| Apr., 2002 | Presented at the *Midwest Academy of Management* (Indianapolis, IN) |
| May, 2002 | Presented at the *ODI* (Wheeling, IL) |
| Jun., 2002 | Presented at *M&A Summit* (Calgary, Alberta, Canada) |
| Jul.–Sep., 2002 | Conducted interviews and developed first drafts of literature and theory development chapters |
| **Stage 3—Selective Coding and Theory Development (March, 2002–Oct., 2002)** | |
| Mar., 2002 | Began development of the social constructionist approach to M&A integration |
| May, 2002 | Presented at *ODI* (Chicago, IL) |
| Jun., 2002 | Final dissertation proposal focused on the social constructionist approach to M&A integration |
| Aug., 2002 | Presented at *Academy of Management* (Denver, CO) |
| Dec., 2002 | Presented at *Organization Change Alliance* (Atlanta, GA) |

# Appendix 2: Interview Questions

## Introduction

- First, I would like to tape record this conversation, and then create a written transcript, which I'll email for your review. If something requires clarification or if you are not comfortable with the way something was stated, let me know and I can edit the transcript.
- Second, I want to assure you I'll keep your comments completely confidential. I may use your comments either with colleagues or in print, but I will never use your name or other descriptive information that would identify the source. Rather, I'll identify you only with your professional title (e.g., VP Finance).
- My preference would be to talk today for 45 minutes or one hour. How would that be?
- Any questions?

## Interview Questions

1. To begin, let me ask you a few demographic questions:
   - In **how many** M&A processes have you participated?
   - What was/were **your role(s)** in the integration process(es) in which you were involved?
   - What was/were **your title(s)** during the integration process(es) in which you were involved?
   - Were you part of the **acquiring** organization, the **acquired** organization, or was/were the combination(s) a **merger of equals**?
   - What was the **duration** of your involvement in the integration process?
   - When did the process **begin** and **end** (or, if it is ongoing, when is it expected to end)?
2. What sort of **integration process** was used to bring the organizations together? Try to identify **stages** of this process, and tell me about the **key events** at each stage.
3. Was the **duration** of the integration process **made clear** at the beginning and were clear **interim milestones** established?
4. Would you have preferred that the integration process move **more quickly** or **more slowly**, or was the pace **about right**? Why?
5. Was there a clear **integration manager** identified, that is, someone with overall responsibility for the integration process? What was the effect of either having or not having someone in this leadership position?
6. Were **integration teams** used to combine work processes or for other purposes? If so
7. Was there a clear **integration strategy** established at the time the combination was announced, or did the strategy **emerge** during the integration process? What was the effect of the timing of the establishment and clarification of the integration strategy?
8. Who **participated in the integration strategy development**? What was the effect of the

**inclusion** in or **exclusion** from the strategy development of certain people?

9. Was a **large group** of members of the combining organizations brought together at any time? If so, **what occurred** at this event, and what was the effect? What else, if anything, might you have preferred to have happen at this event?
10. Tell me about efforts to **coordinate the actions** of members of the combining organizations by conducting **planning sessions**, engaging in **dialogue** or in other ways.
11. Tell me about a time when there was a **shared, hopeful future vision** of the combined organization. What led to the **creation** of this vision, and who experienced it? Were there some who were **excluded** from the vision and, if so, why do you think this occurred? What happened to those who shared the vision and those that did not?
12. Did you experience **cultural differences** in the combining organizations? If so, were there **clashes** or were the differences **resolved** or perhaps **blended**?
13. Tell me about a time when you **built bridges** to others in the organization with which you were combining. How did you attempt this, and what was the effect?
14. Tell me about efforts to build **stronger or closer relationships**, **shared understandings**, **common languages** or **new social structures** among members of combining organizations.
15. Have you ever experienced the spread of **rumors** during an M&A process? How do you think the rumors were started and disseminated? What effects did the rumors have?
16. Tell me about a **conflict** you experienced during an M&A process. Was it **functional**, that is, did the conflict lead to desired outcomes? Or, was it **dysfunctional** and divisive? What do you think led to the conflict being either functional or dysfunctional?
17. What types of **emotions**—both **positive** and **negative**—have you either felt or seen expressed during M&A integration?
18. Can you provide examples of **knowledge transfer** between the combining organizations? If so, how did this go and what was the effect?
19. How was the level of **innovation** of each of the combining organizations affected by the integration efforts? That is, do you think the combined organization was more or less innovative than the separate organizations? Why?
20. Have you ever experienced the phenomenon of **escalating commitment** during an M&A process? Escalating commitment occurs when the participants in a process get so wrapped up in the excitement of the process that they stop thinking clearly and make decisions that they later regret.
21. Tell me about a **peak experience** you had during M&A integration, a time when everything seemed to come together and you felt energized and excited to be part of the process.

# Appendix 3: Integrative Actions and Key Themes

| Code | Integrative Action |
|---|---|
| **Change Processes** | |
| Ambiguity | Resolve *ambiguity* as quickly as possible, even if this means experimenting with processes that may have to be changed in the future. Involve those who are affected by the changes in creating these processes. |
| Confusion & chaos | Avoid *confusion & chaos* as much as possible by developing consensus on strategic direction, and clarifying roles and responsibilities for those involved in the integration process as quickly as possible. Communicate a positive vision of the combined organization. Address confusion & chaos which emerges later in the integration process by providing a communications channel which surfaces the perception of confusion & chaos and provides for candid discussions focused on resolutive actions. |
| Creeping change | Prevent *creeping change* by engaging in candid discussions about the elements of the combined organization that are likely to change, and develop consensus around the expected priorities and timing of specific changes. Provide a communications channel for surfacing the perception of creeping change that emerges during the integration process so that this can be quickly resolved. |
| Crisis | Avoid *crisis* by providing mechanisms for open communication and effective planning of integrative actions. If crises do occur, develop superordinate goals to focus the efforts of those affected towards solutions. |
| Honeymoon | Avoid the *honeymoon* phase in which there is a perception that "nothing will change" by engaging in candid discussions about the elements of the combined organization which are likely to change. |
| In the spotlight | Draw upon the positive energy created by having those affected by the integration process *in the spotlight* by creating opportunities to build collaborative relationships and shared objectives among combining personnel. |
| Integration stages or key events | Provide a overview of the expected *integration stages or key events*, including the expected priorities and timing, to create a shared understanding of the integration process. |
| Nothing will change | Avoid creating the perception that *nothing will change* unless there is a high degree of certainty that this is the case. Engage in candid discussions to surface the expectations of those involved in the integration process who might prefer that nothing change. Develop consensus around the integration strategy for change, including expected priorities and timing. |
| Resistance/ readiness to change | Create a *readiness for change* by engaging in candid discussions focused on creating a positive vision of the combined organization, as well as consensus around the integration strategy including expected priorities and timing. Surface *resistance to change* through candid discussions and clarify the options for those who have difficulty overcoming resistance, including the possibility that they leave the organization. |

| Code | Integrative Action |
|---|---|
| Things are going to change | Acknowledge that *things are going to change* and engage in candid discussions about the resources required to effectively manage this change. Focus on a positive vision of the combined organization to motivate those affected to constructively participate in the integration process. |
| Worst-case scenarios | Develop and communicate a positive vision for the combined organization as quickly as possible. Provide mechanisms for open communication to surface and address expectations of *worst-case scenarios*. |
| **Communications** | |
| Barriers to communication | Overcome *barriers to communication* by providing mechanisms for open communication and effective planning of integrative actions. Provide channels of communication that cross hierarchical and functional boundaries, as well as channels which link those who will have to collaborate in the combined organization. |
| Candid discussions | Create opportunities for *candid discussions* in order to develop consensus around the integration strategy, the expected priorities and timing of changes, roles and responsibilities of those involved in the integration process, and other issues that arise during integration. |
| Common language | Develop a *common language* among combining personnel by creating opportunities for dialogue, providing glossaries and other translation aids, and appointing an integration manager who can assist in translation and probe for areas in which shared understandings may be lacking. |
| Communications processes | Employ various types of *communication processes* that overcome the common barriers to communication. Employ multiple communications media and channels. |
| Duplicity | Avoid *duplicity* in communications during the integration process by creating opportunities for candid discussions and encouraging functional conflict among combining personnel. |
| Face-to-face dialogue | Create opportunities for *face-to-face dialogue* among combining personnel as much as possible, especially early in the integration process. Electronic communications media can be employed after combining personnel have had the opportunity to meet and form trusting, cooperative relationships. |
| Glossary | Develop a *glossary* of specialized language used in the combining organizations to overcome the barrier to communication created by the lack of a common language. |
| Open communication | Create an atmosphere that encourages *open communication* during the integration process by engaging in face-to-face dialogue that includes candid discussions about the integration strategy. |
| Planning or dialogue sessions | Create opportunities for *planning or dialogue sessions* during which combining personnel can meet, develop stronger relationships, and coordinate their efforts to pursue the integration strategy. |

| Code | Integrative Action |
|---|---|
| Rumors | Avoid the generation and dissemination of *rumors* by encouraging open communications. DiFonzo, Bordia, & Rosnow (1994) point out that rumors are typically developed in three stages: (1) generation, (2) evaluation, and (3) dissemination. They suggest addressing rumors uncovered during the following stages as follows: (1) during the generation stage, help those affected reduce their anxiety levels and confirm any truthful elements of the rumor; (2) during the evaluation stage, refute the credibility of the rumor as appropriate and focus on building trust; (3) during the dissemination stage, ignore rumors and treat them as absurd. |
| Senior management access | Create opportunities for *senior management access* to create direct communications focused on the integration strategy, and to provide a feedback channel to senior managers about the perception of the strategy among those responsible for integrative processes. Use an integration manager to bridge the boundary between senior managers and combining personnel, and make sure that potential barriers to communication are overcome. |
| Shared understandings | Develop *shared understandings* among combining personnel regarding the integration strategy and the work processes employed in the combining organization. |
| Shared values | Develop and articulate *shared values* among combining personnel to provide for synchronized action without the need for explicit procedures to address specific situations. |
| Silence/voice | Provide opportunities for members of combining organizations to give *voice* to their perceptions of the integration process. Avoid actions that would *silence* these voices, except in crisis situations or those in which irreparable harm would be done. |
| **Due Diligence** | |
| Confidentiality | Maintain *confidentiality* during the due diligence process by limiting exposure to the potential combination to only those who have a need to know. However, make sure that all those who have a need to know, including operations personnel who will be held responsible for integrative actions, are included in candid discussions during the due diligence process. |
| Courtship | Create opportunities for candid discussions about the expectations for the integration process during the due diligence stage in order to overcome the tendency for this stage to be conducted as a *courtship* characterized by each side presenting only positive information and avoiding conflict. |
| Cursory due diligence | Avoid the tendency to conduct a *cursory due diligence* process due to pressure to quickly close the deal, resource constraints, or an exaggerated emphasis on the need for confidentiality. Rather, use the due diligence process not only for the typical reasons of evaluation, negotiation and deal closing, but also for candid discussions which lead to the development of consensus around an integration strategy. |
| Escalating commitment | Avoid the tendency to experience *escalating commitment* during due diligence by (1) seeking information from outside sources to obtain an objective assessment of the factors involved, and (2) rotating responsibility for decisionmaking among several individuals to increase the likelihood that a balanced assessment will result (Staw, 1981). |
| Financial & legal due diligence processes | Conduct adequate *financial & legal due diligence processes* to ensure the target company is in actuality as it is portrayed to be, and to eliminate the potential for financial and legal disputes to arise during integration. |

| Code | Integrative Action |
|---|---|
| Marketing & sales due diligence | Conduct adequate *marketing & sales due diligence processes*, as well as due diligence processes focused on other key functions, in order to ensure that proper integration planning can occur as quickly as possible. |
| Seduction of the target | Avoid the tendency to become highly focused on the *seduction of the target* during due diligence by engaging in candid discussions about the integration strategy with key managers from both sides of the combining organization. |
| Sunk costs | Ignore *sunk costs* incurred during the due diligence process, including the time and effort invested in due diligence and planning activities, in the event that the deal must be abandoned. Create mechanisms to encourage objectivity in the due diligence decisionmaking process. |
| **Human Impacts** | |
| Cross-fertilization of personnel | Pursue *cross-fertilization of personnel* by transferring members of the acquiring firm to the acquired and vice versa in order to accelerate the building of relationships, the transfer of knowledge, and the development of innovations in the combining organization. |
| Demotion | Avoid creating the perception of a *demotion* among acquired executives, especially entrepreneurs who previously owned acquired companies, by engaging them in co-creating their role in the combined organization. |
| Equitable treatment of the acquired | Engage in *equitable treatment of the acquired* organization and its personnel to maintain motivation levels of acquired personnel for a rapid integration process that focuses on key strategic objectives. |
| Managers from the acquirer sent in | Create the opportunity for *managers from the acquirer* to be *sent in* to work at the acquired company and contribute to integration objectives. Select individuals for these roles who can avoid creating conflicts due to arrogant, demanding attitudes. |
| Personal connections are destroyed | Avoid situations in which *personal connections are destroyed* in combining companies due to abrupt or poorly planned integrative actions. Rather, maintain personal connections as much as possible among co-workers, vendors or suppliers, customers and others by co-creating integrative actions with diverse groups of combining personnel. |
| Personnel changes | Handle required *personnel changes*, including downsizing and reorganization, by maintaining respect for the affected people. Assist those affected in rebuilding relationships and morale that may be negatively impacted by personnel changes that are handled with insensitivity. |
| Prove myself all over again | Assist acquired personnel who may feel that they have to *prove myself all over again* by creating mechanisms to help them develop relationships with acquiring personnel who may be instrumental in recognizing the potential of acquired personnel. |
| Recognition | Provide *recognition* to those who achieve integration goals in order to positively reinforce and provide motivation for positive behavior. |
| Selling the acquired personnel | Engage in efforts directed at *selling the acquired personnel* on the combination process during both the due diligence and integration stages by creating and communicating a positive vision of the combined organization. |

| Code | Integrative Action |
|---|---|
| Should I stay or go? | Assist those affected by the integration process to decide *should I stay or should I go?* by clarifying integration strategies, and by conducting candid discussions about each individual's opportunity to contribute to the integration process. |
| Top management turnover | Minimize disruptive *top management turnover*—which can destroy sources of tacit knowledge, networks of relationships, and other valuable assets—by clarifying integration strategies prior to the close of the deal. However, encourage top management turnover for cases in which acquired executives can or will not accept integration strategies. |
| Treat others as you treat yourself | *Treat others as you treat yourself* during both the due diligence and integration processes in order to maintain respect for those impacted by the combination process. |
| What's in it for me? | Address those who will ask *what's in it for me?* as quickly as possible by clarifying roles and responsibilities, and by conducting planning or dialogue sessions in which those affected can raise their concerns. |
| Where do I fit? | Assist those affected by the integration process in determining *where do I fit?* by clarifying integration strategies, and by conducting candid discussions about each individuals' opportunity to contribute to the integration process. |
| **Integration Managers & Teams** | |
| Ambassador | Appoint an integration manager from the acquiring company who functions as an *ambassador* to the acquired company by helping to develop and communicate a positive vision for the combined organization, and who advocates actions which reinforce this vision. |
| Border collie | Appoint an integration manager who functions as a *border collie* who monitors the actions taken during the combination process and facilitates a communication process which ensures the consensus is developed, disputes are resolved, and a clear sense of priorities is maintained. |
| Boundary spanner | Appoint an integration manager who functions as a *boundary spanner* who facilitates a communication process which crosses hierarchical and functional boundaries with speed and fluidity. |
| Experienced managers of change | Develop *experienced managers of change* who possess the skills and attitudes required to embrace rather than resist substantial change processes. |
| Facilitator/coach | Appoint an integration manager who functions as a *facilitator/coach* during the combination process, someone who facilitates an open communication process and coaches acquired personnel regarding the culture and processes of the acquiring organization. |
| General manager act as the integration manager | Consider having the responsible *general manager act as the integration manager* in order to ensure that integrative actions are performed in such a way as to maximize the long-term value of the combined organization, but only if sufficient time and focus can be provided by this person. If not, appoint an integration manager to provide this focus. |
| Go-to person | Appoint an integration manager who functions as a *go-to person* who is made readily available to all involved in the integration process so that issues that emerge during the integration process can be rapidly addressed. |

| Code | Integrative Action |
|---|---|
| Integration manager | Appoint an *integration manager* who participates in the development of a positive vision for the combining organization, who helps to communicate and adapt that vision during integration, who helps to build relationships among combining personnel, and who provides a focus on key integrative activities. Have the integration manager report directly to the responsible general manager to avoid the sub-optimization of goals that can result if the integration manager reports to a functional head. |
| Integration teams | Create *integration teams* to focus on specific integrative actions and to accelerate the development of collaborative working relationships among combining personnel. |
| SWAT team | Consider the use of a *SWAT team* that is used to accelerate the integration process, but avoid the use of a top-down, imposed change process that alienates acquired personnel and destroys economic value. |
| **Integration Methods & Processes** | |
| Acquiring company must take the lead | Expect that in virtually all cases of M&A integration, the *acquiring company must take the lead* in planning and executing the integration process. This is typically so because the acquiring company is frequently perceived to have a dominant position as the purchaser and owner of the acquired company. |
| Acquiring company overview | Conduct an acquiring company overview, and perhaps also an overview of the acquired company, during the early stages of the integration process in order to acquaint combining personnel with the organization with which they are combining. |
| Administrative integration | Determine the priority of *administrative integration* in the integration process. Avoid the tendency to assume that administrative integration should be the first step of the integration process because it is relatively easy. Rather, prioritize integrative activities based on the objectives set forth in the integration strategy. |
| Appreciative inquiry | Consider conducting an *appreciative inquiry* during the due diligence or integration stages in order to make salient the best, most valuable features of each of the combining organizations, and to create a positive vision of the combined organization. |
| Assessing weaknesses/ vulnerabilities | Conduct the process of *assessing weaknesses/vulnerabilities* as part of a candid assessment of the combining partner. However, avoid the tendency for this assessment to overshadow the positive elements of the partner. |
| Best practices | Consider focusing on the *best practices* of each of the combining organizations as a means of focusing on what works in each, and of making the combination a more egalitarian process in which each side contributes. |
| Caring about the acquired organization | Express a sense of *caring about the acquired organization* in order to build relationships with acquired personnel and build momentum for the combination process. |
| Creating a new, third organization | Consider *creating a new, third organization* during the combination process, especially in combinations which are described as mergers of equals or in which combining personnel expect a high degree of autonomy (such as consulting or medical partnerships). |

| Code | Integrative Action |
|---|---|
| Cross-functional approach | Approach both the due diligence and integration stages with as much of a *cross-functional approach* as possible, and avoid the tendency for due diligence to be primarily a financial and legal exercise in which other functions are excluded. |
| Deal with it later | Avoid the tendency to react to surprises uncovered during due diligence and integration with an attitude of *deal with it later*. Rather, create mechanisms for engaging in candid discussions of the integration strategy and processes even during the due diligence process. |
| Degree of integration | Develop consensus regarding the *degree of integration* that will be pursued based on the integration strategy, as well as the expected timing of key integrative actions. |
| Duration | Develop consensus regarding the expected *duration* of the integration process, and communicate this to the combining organization. Provide periodic updates regarding the status of the integration process, and highlight changes to the expected duration. |
| Elimination of redundancies | Pursue the *elimination of redundancies*, including people and facilities, with respect for those affected. Providing equitable treatment in these situations will facilitate the change process, ease the guilt survivors of the process may feel, and provide other benefits. |
| Feeding the bear | Help acquired personnel adjust to *feeding the bear*, that is, the acquiring company that can issue multiple demands such as information presented in a certain format. Use an integration manager to help prioritize these demands. |
| Financial reporting | Integrate the *financial reporting* systems early in the integration process, but only if this can be done without distracting efforts to quickly capitalize on the key elements of the integration strategy. |
| Formal/informal integration process | Make what is frequently an *informal integration process* a more *formal*, better-planned process. Use planning and dialogue sessions to establish consensus around integration strategies and objectives, to establish priorities, and to monitor progress versus these plans. |
| Fragmented/ holistic approach | Make what is frequently a *fragmented approach* to integration a more *holistic* approach by using a cross-functional approach during due diligence and integration, and conducting planning and dialogue sessions that involve members of various functions. |
| Help from the acquirer | Make sure that efforts to provide *help from the acquirer* are welcomed by members of the acquired organization by co-creating an integration strategy that articulates the help the acquirer can bring to the acquired organization. |
| Human resources integration | Make a priority of *human resources integration*, including adjustments to compensation and benefits, to contribute to the sense of equity among combining employees. Also, involve human resources professionals in leading communications programs to provide dialogue during the integration process. |
| Information systems | Address the priority of changes to *information systems* as part of the integration strategy due to the substantial resources that are typically required to change these systems. Avoid the tendency to assume that the acquiring company's systems must be installed in the acquired company, and explore the potential for creative, hybrid systems that provide much of the benefits of fully combined systems which much less transitional effort. |

| Code | Integrative Action |
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| Initial visits | Manage the frequency and tone of *initial visits* to the acquired company by acquiring personnel in order to avoid overwhelming the acquired company and to ensure the consistency of the message being delivered. Consider using an integration manager to prioritize these visits and to facilitate constructive communications. |
| Justifying the acquisition | Create measurement systems that help acquiring and acquired managers in their efforts at *justifying the acquisition*. Make sure these measurement systems reinforce the key elements of the integration strategy. |
| Leave well-enough alone | Pursue the *leave well-enough alone* approach to M&A integration with caution, as many initial attempts to pursue this strategy create crises which initiate much more robust integrative actions. Rather, develop an integration strategy that prioritizes the key elements of value-creation, and focus on developing consensus throughout the combining organization around this strategy. |
| Left out there to hang | Avoid the *left out there to hang* approach to integration which is virtually certain to create a crisis, and which in turn frequently leads to poorly planned integrative actions for which there is little consensus. |
| Long deal incubation | Engage in a *long deal incubation* whenever possible to provide time to build relationships, learn about the combining organization, and develop consensus around integration strategies. |
| Marketing & sales integration | Pursue *marketing & sales integration*, as well as the integration of other functions, in accordance with the priorities established in the integration strategy. |
| OD processes | Utilize *OD processes*, including whole systems approaches, survey feedback, change management, teambuilding and others, to facilitate the dramatic change that comes with most integration efforts. |
| Operations integration | Pursue *operations integration*, as well as the integration of other functions, in accordance with the priorities established in the integration strategy. |
| Overall evaluation | Solicit from combining managers their *overall evaluation* of the integration process at various stages in order to make adjustments to the integration process and to provide a mechanism for learning from the process. |
| Positive approach | Engage in the *positive approach* to integration management as much as possible by creating a positive vision of the combined organization, drawing on best practices, and clarifying and building consensus around an integration strategy. |
| Process improvement | Pursue *process improvement* during the integration process by taking advantage of the unfreezing of rigid processes that sometimes occurs during radical change processes. |
| Reactive approach | Avoid the *reactive approach* to integration management such as that which occurs when a “nothing will change” approach leads to crisis, which then leads to hastily arranged integrative actions for which there is little consensus. |

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| Retention incentives | Offer *retention incentives* as required to pursue the integration strategy, but be aware of the potential downside of these incentives. Among these are the likelihood that retained personnel with focus on whatever behavior is incented (whether or not it is consistent with the integration strategy), that their motivation will be drawn primarily from the incentive rather than the overall good of the combined company, and that they are likely to leave the combined company as soon as the incentive is earned and paid. |
| Speed | Focus on accelerating the *speed* of integrative actions for many reasons, a few of which are presented here. First, whatever struggles are required to make changes to the combined organization are unlikely to be mitigated by going slow. Second, the common wisdom regarding M&A is that most companies say "nothing will change," but then make changes anyway; since many expect this pattern, the "nothing will change" approach creates ambiguity, and making changes quickly may reduce this ambiguity. Third, most M&A processes are initiated for economic reasons, and the present value financial methods used to evaluate most M&A processes favor quick rather than slow changes. |
| Standardization | Consider pursuing the *standardization* of processes among combining organizations in order to achieve efficiencies, to achieve simplicity, or to present a unified approach to the marketplace. However, avoid the tendency to engage in standardization unless doing so is required by the integration strategy. |
| Sub-optimization of goals | Avoid the *sub-optimization of goals* that can occur due to a fragmented approach to integration in which functional heads pursue integrative actions that optimize performance in the area for which they have responsibility rather than for the combining organization as a whole. |
| War of attrition | Avoid the *war of attrition* which can result when a combining organization is initially told "nothing will change" but operations personnel, who typically conduct the actual integrative actions, wait until they achieve a critical mass which provides them the power to abandon the initial approach with little resistance and pursue changes which make the acquired organization more like the acquired. |
| Whole system | Engage the *whole system* of people who will be affected by the integration process as quickly as possible in order to build consensus around the integration strategy and accelerate the change process in ways that are consistent with the integration strategy. |
| **Learning & Knowledge** | |
| Codified knowledge | Identify and create sources of *codified knowledge* which can be used during the integration process, and which provide insurance in case key members of the acquired organization who carry this data in their heads leave the company. Examples of this include documented procedures, business processes, and databases required to operate the business. |
| Documented approach | Use a *documented approach* to M&A integration to facilitate learning from the process. This is important since most M&A integration processes are relatively unique events, and any lessons learned during the process are typically not transferred to others due to the time gaps between integration efforts and the fragmentation of personnel who are involved in the process. |

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| Experiments | Conduct *experiments* to determine what new processes or approaches may be successful in the combined company that were not used prior to the combination. Using this approach also provides the means to resolve ambiguity quickly by experimenting with various approaches and monitoring the results instead of conducting in-depth analysis that may or may not eventually produce a more ideal process. |
| Ignorance regarding what is purchased | Overcome *ignorance regarding what is purchased* by learning as much about the acquired company during the due diligence process, and documenting what is learned. Then, conduct planning or dialogue sessions in which the learnings can be quickly disseminated and put to use. |
| Innovation | Foster *innovation* in the combining organization by transferring knowledge, creating mechanisms for potential collaborators to build stronger relationships, and conducting planning or dialogue sessions in which innovations can be proposed and developed. |
| Knowledge transfer | Encourage *knowledge transfer* by creating mechanisms for potential collaborators to build stronger relationships, and by conducting planning or dialogue sessions in which complementary knowledge can be discussed and shared. |
| Learning & adapting | Create an atmosphere that encourages *learning & adapting* among combining personnel by providing regular updates on the progress made during the integration process and by providing feedback to individuals regarding how their efforts fit the integration strategy. |
| M&A experiences | Draw upon the collective *M&A experiences* of those affected by the integration process by conducting planning or dialogue sessions during which participants can be encouraged to discuss what they have learned from past integration experiences. |
| Objectivity | Maintain *objectivity* during the M&A learning process by creating an atmosphere in which potentially conflictual ideas and perceptions can be aired, discussed, and evaluated. |
| Prior industry experience | Draw upon the *prior industry experience* of those involved in the combination process to improve the evaluation of target organizations, to develop integration strategies that maximize the creation of economic value, and to improve the execution of the integration strategy. |
| Prior M&A experience | Draw upon the collective *M&A experiences* of those affected by the integration process by conducting planning or dialogue sessions during which participants can be encouraged to discuss what they have learned from past integrations experiences. |
| Tacit knowledge | Identify and sustain sources of *tacit knowledge* that are accumulated and shared by the those who operate the business. Create mechanisms to prioritize the importance of these sources, and codify the most important as quickly as possible. |
| Trenches, perspective from | Foster dialogue between the senior managers responsible for initiating the combination process and those who have the *perspective from the trenches* so that a well-conceived integration strategy does not get stalled due to inattention to the details of how the strategy will be executed. |
| Trial and error | Avoid the use of random, *trial and error* approaches to discovering what works in the combination process. Rather, develop a coherent integration strategy and conduct experiments that are monitored to determine success or failure to learn what works and what does not. |

| Code | Integrative Action |
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| Unique event | Overcome the challenges of the combination process as a *unique event* by capitalizing on the collective experience of those involved in the combination process, by documenting and sharing learnings, and by conducting regular planning or dialogue sessions in which successes and failures can be explored. |
| **Integration Planning, Strategy & Goals** | |
| Accomplishing goals | Acknowledge and celebrate when those involved in the combination process are *accomplishing goals* that are consistent with the integration strategy. |
| Clear expectations | Provide *clear expectations* for the combination process by developing and communicating a coherent integration strategy, an expected schedule for integrative actions, and other pertinent information about the combination process. Provide regular updates on the integration strategy and schedule so that expectations for the process remain clear. |
| Duration made clear? Milestones established? | Clarify the expected *duration* of the integration process, and *establish milestones* to help monitor the progress of the combination process. |
| Flawed integration strategy | Avoid the development of a *flawed integration strategy* by encouraging dialogue among those involved in both the due diligence and integration processes, and by legitimating the need for functional conflict regarding disparate opinions about the integration strategy. |
| Focus (or lack of) | Create *focus* on the integration process by clarifying the integration strategy, roles and responsibilities for those involved in the process, and the expected timeline for the integration process. Appoint an integration manager to provide an additional focus. |
| Follow through/ execution | Encourage *follow through/execution* of the integration process by clarifying roles and responsibilities of those involved in the combination process, and by monitoring their results against the plan. Appoint an integration manager to provide an additional focus. |
| Integration strategy | Develop a clear *integration strategy* during the due diligence process, and communicate this strategy to those affected by the combination as quickly as possible. Create mechanisms to adapt the integration strategy as more is learned about the combination during the integration process. |
| Monitoring results | Create a system for *monitoring results* during the integration process so that those involved receive feedback regarding whether or not their actions are consistent with the integration strategy. |
| Pre-announcement integration strategy | Develop a *pre-announcement integration strategy* by involving appropriate personnel from both sides of the combination in dialogue that leads to consensus regarding the overall integration strategy. If this consensus cannot be reached prior to the announcement, there is little chance that it will emerge after the announcement. |
| Preparedness (or lack of) | Encourage *preparedness* for the integration process by involving those who will be responsible for this process in planning for it. |
| Priorities | Develop an integration strategy that clearly identifies the *priorities* of various integrative actions. These priorities should be based on the opportunity to create economic value through synergistic combinations of complementary resources. |

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| Project plan | Develop a detailed *project plan* that identifies the expected timing of integrative actions. Adapt this project plan as learnings emerge throughout the combination process, and communicate the changes made to the plan to those involved in the combination process. |
| Shared vision | Develop a *shared vision* for how the combined company will be integrated and operated among those who are involved in the integration process. This vision should provide a positive end goal for the combination process that appears desirable and reasonable to those involved. |
| Superordinate goal | Create a *superordinate goal* to create a catalyst that drives the development of a shared vision and helps those involved in the integration process overcome the tendency to focus on "what's in it for me?" |
| Synergy | Target the creation of economic *synergy* through the combination of complementary resources contributed by the combining companies. Use the opportunities to create and realize these synergies to drive the development of shared vision, the integration strategy, and the resultant integration priorities and processes. |
| Vision initially created at the top | Develop a *vision initially created at the top* of the combining organizations during the due diligence process which will form the basis of the initial integration strategy. Communicate this vision to those involved in the integration process as quickly as possible. |
| Who was involved in integration strategy development? | Involve a broad, cross-functional group in the *development of the integration strategy*, even during the due diligence process. As soon as possible, invite those who are affected by the combination to participate in the integration strategy development process in order to develop consensus around an integration strategy that is widely viewed as positive and practical. |
| **Power & Control** | |
| Conflict | Facilitate dialogue among members of the combining organizations so that *conflict* is functional and helps lead to desired outcomes, rather than dysfunctional and divisive. |
| Dominance | Mitigate the perception of *dominance* sometimes portrayed by members of the acquiring organization so that the voices of members of the acquired organization are not silenced and irreparable damage to relationships is avoided. |
| Imposed changes | Manage the introduction of *imposed changes* in such a way that they are seen as logical and necessary by members of the acquired organization. The need for imposed changes should be linked to the integration strategy. |
| My way or the highway | Avoid the rigidity of the *my way or the highway* approach so that the voices of members of the acquired organization are not silenced and irreparable damage to relationships is avoided. |
| Power | Share *power* equitably among members of both sides of the combining organization so that the voices of members of the acquired organization are not silenced, and the strengths of each organization can be utilized. |
| Rapid decision making | Engage in *rapid decision making* to avoid the deleterious effects of ambiguity. Avoid unilateral exercises of power that might accelerate decisionmaking but cause resentment and division. Rather, use the positive vision of the combined organization developed during the integration strategy and a focus on functional conflict to make decisions quickly. |

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| Tail wagging the dog | Avoid the kind of all-or-nothing thinking which inspires the term *tail wagging the dog* by focusing on the positive vision of the combined organization to develop creative, hybrid approaches such as modified or bridged information systems. |
| Top down vs. distributed decisionmaking | Focus on *distributed decisionmaking* to get members of the combining organizations bought into the goals of the combined organization as expressed in the integration strategy. Avoid *top down decisionmaking* due to the potential for resistance that can lead to dysfunctional conflict and a stalled integration process. |
| **Psychological & Emotional Factors** | |
| Accountability | Provide clear *accountability* for the integration process by clarifying the roles and responsibilities of those involved. If an integration manager is used, clearly delineate the accountability of the integration manager versus the responsible general manager. |
| Animosity | Surface *animosity* that may exist among members of both sides of the combination as quickly as possible and attempt to resolve the conflicts that underlie the animosity. If this is not possible, consider options to isolate the sources of animosity including asking the people generating it to leave. |
| Arrogance | Avoid displays of *arrogance* that can contribute to divisive, dysfunctional conflict. Rather, convey respect and a sense of caring for the acquired organization, and treat the members of the acquired organization equitably. |
| Autonomy | Provide members of the acquired organization with the *autonomy* to operate their organization as they see fit as long as their actions are consistent with the integration strategy. |
| Betrayal | Avoid the sense of *betrayal* among acquired managers by engaging in candid discussions about the integration strategy as early as possible in the combination process. Create mechanisms for continued dialogue to surface misunderstandings and conflicts that, if left unresolved, might later lead to feelings of betrayal. |
| Closure | Celebrate the completion of successful integration processes to bring a sense of *closure* to those involved, including recognition of outstanding efforts made during the integration process. |
| Confidence | Instill *confidence* among those involved in the combination process by clarifying the integration strategy and the roles and responsibilities of those involved, and then rewarding those who make positive contributions to the combination process. |
| Death | Acknowledge the possibility of the perception of a kind of *death* which might be experienced by some members of the combining organizations who may want to mourn the passing of their old organization. Create a positive vision of the combined organization to help those who have the experience of death move forward into the combined organization. |
| Decisive/ indecisive | Encourage *decisive* action by clarifying the integration strategy and the roles and responsibilities of those involved, and then rewarding those who make positive contributions to the combination process. Also, reward those who conduct experiments focused on quickly resolving ambiguity even if the product of their actions is later modified. |

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| Demanding process | Acknowledge that the combination process can be a *demanding process* for all involved, and consider providing relief from the day-to-day responsibilities of at least some members of the integration team. |
| Ego or hubris | Avoid displays of *ego or hubris* that can contribute to divisive, dysfunctional conflict and the sub-optimization of goals. Rather, create opportunities for dialogue during which conflicts are explored functionally. |
| Emotions | Acknowledge the range of *emotions* which some may feel during the combination process, and provide for planning and dialogue sessions in which these feelings can be shared. |
| Entrepreneurial spirit | Celebrate and reward the *entrepreneurial spirit* which many acquired personnel may possess, but clarify as part of the integration strategy the limits which may be imposed upon entrepreneurs who are acquired by larger organizations. Focus on functional conflict in resolving these differences. |
| Excitement | Draw upon the *excitement* many may feel during the integration process to cope with the demanding process that they may face. Use recognition of positive contributions to help fuel excitement. |
| Fear | Acknowledge the *fear* that some may feel as a result of the combination process, and focus on the positive vision of the combined organization to help those who experience fear to move forward into the combined organization. |
| Frustration | Avoid the *frustration* frequently felt during combination process by clarifying the integration strategy, roles and responsibilities for those involved in the process, and the expected timeline for the integration process. Conduct periodic planning or dialogue sessions to surface and address the sources of frustration that may arise during the course of integration. |
| Guarded/ suspicious | Overcome *guarded/suspicious* attitudes by addressing any consolidations that will occur as part of the combination process as quickly as possible, and then by creating an atmosphere of open communication in which the combination process is viewed as planned and predictable. |
| Hopeless | Avoid *hopeless* feelings by focusing on a positive vision of the combined organization and by involving those affected by the combination process in working towards this vision. |
| Identity | Acknowledge the changes to *identity* which some may feel as a result of the combination process, and focus on a positive vision of the combined organization to provide a framework in which new identities can be forged. |
| Integrity | Use and express *integrity* during the combination process in order to avoid the deleterious effects of guarded/suspicious attitudes and other factors which can stall the integration process. |
| Motivation for integration | Assess the *motivation for integration* among members from both sides of the combining organization as early as possible in the combination process. Use functional conflict to resolve differences of opinion. If a reasonable consensus cannot be reached regarding the degree of integration, consider removing the acquired executives or abandoning the acquisition effort. |
| Motivation for selling | Assess the *motivation for selling* among members of the acquired organization, especially as this impacts the role of the sellers during the integration process. |

| Code | Integrative Action |
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| Overly optimistic | Avoid an *overly optimistic* approach to integration by engaging in candid discussions about the integration strategy early in the combination process. Acknowledge that candid discussions about what the buyer and seller want from the combination during the due diligence process are likely to reduce the number of deals consummated, but make those which are consummated more successful. |
| Ownership | Establish a broad sense of *ownership* for the combination process by clarifying the integration strategy and the roles and responsibilities of those involved, and then rewarding those who make positive contributions to the combination process. |
| Paranoid | Overcome the possibility that some involved in the combination process may feel *paranoid* about the possible ramifications of the process by developing and communicating an integration strategy, expressing a sense of caring about the acquired organization, and treating members of the acquired organization equitably. |
| Peak experience | Create the opportunity for those involved in the combination process to articulate and share their *peak experiences* to create a shared, positive energy for the process. |
| Resentment | Avoid *resentment* about the combination process by clarifying the integration strategy and the roles and responsibilities of those involved, and then rewarding those who make positive contributions to the combination process. |
| Resignation | Avoid *resignation* among those involved in the combination process by providing opportunities for dialogue, expressing a sense of caring about the acquired organization, and treating people equitably. |
| Respect | Convey *respect* for those involved in the combination process in order to keep as many people as possible engaged in contributing to the realization of the positive vision of the combined organization. |
| Security | Avoid shattering the sense of *security* of those involved in the combination process by addressing any consolidations which will occur as quickly as possible, and then creating an atmosphere of open communication in which the combination process is viewed as planned and predictable. |
| Sense of urgency | Create a *sense of urgency* among those involved in the combination process by setting short-term goals (perhaps initially 100 days after the combination is announced) in order to get people mobilized in completing integrative actions which contribute to the positive vision of the combined organization. |
| Spent their career building | Honor the fact that acquired executives may have *spent their career building* the acquired organization, and may therefore be reluctant to make changes in their organization. Assess the motivation for integration among these executives and develop consensus early in the combination process around an integration strategy that is acceptable to all involved. |
| Stressful | Acknowledge that the combination process can be *stressful* for many, and focus on a positive vision of the combined organization to help motivate those involved to make positive contributions to the combination process. |

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| Traumatic | Acknowledge that some may perceive the combination process as *traumatic*, especially if they are affected by consolidations and downsizing. Address any consolidations that will occur as quickly as possible, and then create an atmosphere of open communication in which the combination process is viewed as planned and predictable. |
| Trust | Establish a broad sense of *trust* in the combination process by clarifying and communicating the integration strategy and the roles and responsibilities of those involved, and by treating people equitably. |
| **Qualities of Acquired-Acquirer** | |
| Bureaucracy | Avoid stifling the autonomy of acquired organizations by blindly imposing the *bureaucracy* of the acquiring company. Establish the expectation during the integration strategy development process that some things are likely to change, but work with members of the acquired organization to initiate changes in a way that is not perceived as onerous. Draw upon the positive elements of bureaucracy, including a hierarchical decisionmaking structure that can provide focus. |
| Common ground | Establish *common ground* among members of both sides of the combination during the integration strategy development process around elements of the combined organization, which clearly contribute to the positive vision of the combined organization. Consider postponing discussion of more contentious issues until a base of common ground has been established, but avoid the tendency to leave well-enough alone and indefinitely postpone the more difficult discussions. Doing so is likely to lead to unresolved conflict and resentment. |
| Complementary differences | Identify areas of *complementary differences* among combining organizations which, when combined, lead to economic synergies. Draw upon the creative energy of teams of combining members to construct and execute strategies that actualize the potential synergies. |
| Context/history | Understand the *context/history* of the combining organization in order to avoid unproductive conflict during the integration process. Create these understandings by using planning or dialogue sessions. |
| Culture | Acknowledge and respect the *culture* of each of the combining organizations, and develop an integration strategy that maintains the positive elements of each. Use dialogue or planning sessions, and functional conflict as required, to construct a hybrid culture in areas where collaboration is required. |
| Day-to-day processes | Understand the impact of the combination on the *day-to-day processes* that occur in each of the combining organizations. Seek feedback from those who can offer the perspective from the trenches of the viability of integration strategies. |
| Fringe/core of the acquirer | Develop consensus among the *fringe/core of the acquirer* regarding the integration strategy in order to avoid the tendency for creeping changes imposed by the core of operations managers who may be inclined to impose changes which make the acquired company more like the acquiring company. |
| Leadership | Establish clear *leadership* of the integration process by appointing an integration manager and clearly delineating the roles and responsibilities of this person, and by stabilizing the acquired management team and involving them in the realization of the positive vision of the combined organization. |

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| Organization structure | Consider changes to the *organization structure* of the combined organization, but only as required to realize the positive vision of the combined organization. Resist the tendency to make structural changes that make the acquired organization more similar to the acquiring organization unless there is a clear benefit. |
| Policies & procedures | Consider changes to the *policies & procedures* of the combined organization, but only as required to realize the positive vision of the combined organization. Resist the tendency to make procedural changes that make the acquired organization more similar to the acquiring organization unless there is a clear benefit. |
| Productivity | Avoid the negative impact on *productivity* which is created in some combination efforts by setting short-term goals (perhaps initially 100 days after the combination is announced) in order to get people mobilized in completing integrative actions which contribute to the positive vision of the combined organization. |
| Reputation for integration approach | Acknowledge the impact the acquiring company's *reputation for integration approach* may have on the combination process. Use planning or dialogue sessions to surface assumptions about the acquiring company's approach, and then construct an approach with is consistent with the positive vision of the combined organization. |
| Reward systems | Create *reward systems* that reinforce the positive vision of the combined organization. Avoid simplistic reward systems that reinforce behaviors that lead to the sub-optimization of the combined organization's goals. |
| Rigidity/ Flexibility | Approach the combination process with enough *flexibility* to allow for open dialogue about a variety of ways to realize the positive vision of the combined organization, and avoid an attitude of *rigidity* which silences certain voices which could contribute to the combination process. |
| Roles & responsibilities | Clarify the *roles & responsibilities* of those involved in the combination process in order to avoid unnecessary conflict and to provide for synchronized action among the members of the combining organization. |
| Size disparity | Acknowledge the impact that the *size disparity* of the acquiring and acquired organization may create, and create special bridging roles, such as the integration manager, to avoid having the needs of the acquired organization overwhelmed by the mass of the acquired organization. |
| Slack resources | Plan for a certain amount of *slack resources* to cope with the demands of the combination process. The integration manager's role is but one example. |
| Social structures | Focus on a experimental approach to the development of *social structures*, including policies and procedures, which will guide the interactions of members of the combining organization. |
| Synchronized action | Develop the capability for *synchronized action* involving combining organizations by clarifying the integration strategy and creating the opportunity for planning or dialogue sessions during which members of the combining organization can develop the social structures required for synchronized action. |
| Unique qualities | Appreciate and develop the *unique qualities* of each of the combining organizations so that synergistic combinations of complementary resources can be developed through the combination. |

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| Us vs. them | Avoid the creation of an *us vs. them* dynamic that creates division among members of the combining organizations. Use planning or dialogue sessions to build relationships and develop common objectives. |
| **Relationships** | |
| Allegiance to former managers | Acknowledge that many acquired personnel may show strong *allegiance to former managers* when assessing the importance of retaining the leaders of the acquired organization. |
| Build bridges | *Build bridges* between members of the combining organization to support knowledge transfer, the development of stronger relationships, the creation of synergistic combinations of complementary resources, and other positive elements of the combined organization. The integration manager role and planning or dialogue sessions are two examples of the kinds of bridges that can be built. |
| Collaborations among combining personnel | Encourage *collaborations among combining personnel* by creating short-term objectives that require the combined efforts of members of the combining organizations. |
| Cooperation | Encourage *cooperation* among combining personnel by creating short-term objectives that require the combined efforts of members of the combining organizations. |
| Counterparts working together ASAP | Create opportunities to get *counterparts* from the combining organization *working together ASAP* by creating short-term objectives that require the combined efforts of members of the combining organizations. |
| Ingroup/outgroup | Avoid the creation of an *ingroup/outgroup* dynamic which creates division among members of the combining organizations. Use planning or dialogue sessions to build relationships and common objectives. |
| Prior relationships | Acknowledge the impact *prior relationships*, those formed prior to the combination effort, may have on the process, especially in combinations of organizations in the same field or industry due to the likelihood that prior relationships may have formed among former competitors or colleagues. Draw upon the positive elements of prior relationships, and engage in candid discussions about the potential ramifications of the negative elements. |
| Strong relationships | Build *strong relationships* between members of the combining organization to support a cooperative approach to knowledge transfer, the creation of synergistic combinations of complementary resources, and other positive elements of the combined organization. |

# Notes

[1] I thank Jody Hoffer Gittell for pointing out that the scientific method and social constructionism may be seen as complementary rather than antithetical approaches.

[2] I thank Jim Ludema for substantially developing the ideas in this paragraph.

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