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changes and cultures in a post merger integration process



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In a **domestic merger** in the health sector, several departments with different size and different tasks have been reorganised to form a new coherent whole. Until recently most of the departments operate independently. A new business concept, introduced to trigger orientation towards effectiveness, challenges cooperation and communication in the **integration process**.

Coherence is of importance because the organisation might otherwise become unmanageable. However, **functionality** is also of importance, because otherwise the tasks of the large organisation cannot be met.

My research will be of relevance to management and staff of the merged organisation, by identifying and relating behavioral patterns and providing for...

- new perceptibility of changes
- new insights to existing results
- new windows of opportunities

It contributes to management literature by approaching the case with the **configuration model of organisational culture**. A combination of the constructs of change orientation and organisational culture adds to existing M&A literature.

How do organisational cultures affect change orientation?

State of the field

M&A research streams

Research Stream	Objective function	Abstract of theoretical underpinnings	Central propositions for each theoretical perspective
Financial economics	Wealth creation for shareholders; for economy as a whole	Market for corporate control; free cash flow; agency theory; efficient market hypothesis (EMH) (Jensen, 1987; Manne, 1965)	Acquisitions enhance the efficiency of the market for corporate control and, thus result in net wealth creation for Shareholders
Strategic management	Performance of acquiring/acquired firms	Industrial organisation economics (Lubatkin, 1983; Scherer and Ross, 1990) Resource based view of the firm (Barney, 1988)	Synergies (as a result of economies of scale, scope, market power etc) will have a positive impact on acquirer performance. Only unique synergies (to the bidder-target pair) or unexpected synergies will have a positive impact on acquirer performance
Organisational behaviour	Impact of acquisition on individuals and organisation culture	Acculturation theory (Berry 1984; Nahavandi and Malekzadeh, 1988)	The congruence between the cultures of the two merged organisations will facilitate employee satisfaction and effective integration.
Process perspective	Creation of value after acquisition	Behavioural theory of the firm (Cyert and March, 1963; Jemison and Sitkin, 1986a, 1986b)	The actions of management and the process of integration determines the extent to which the potential benefits of the acquisition are realised.

Source: Compillation based on Brinkinshaw, Bresman and Hakanson (2000), Haspeslagh and Jemison (1991)

State of the field

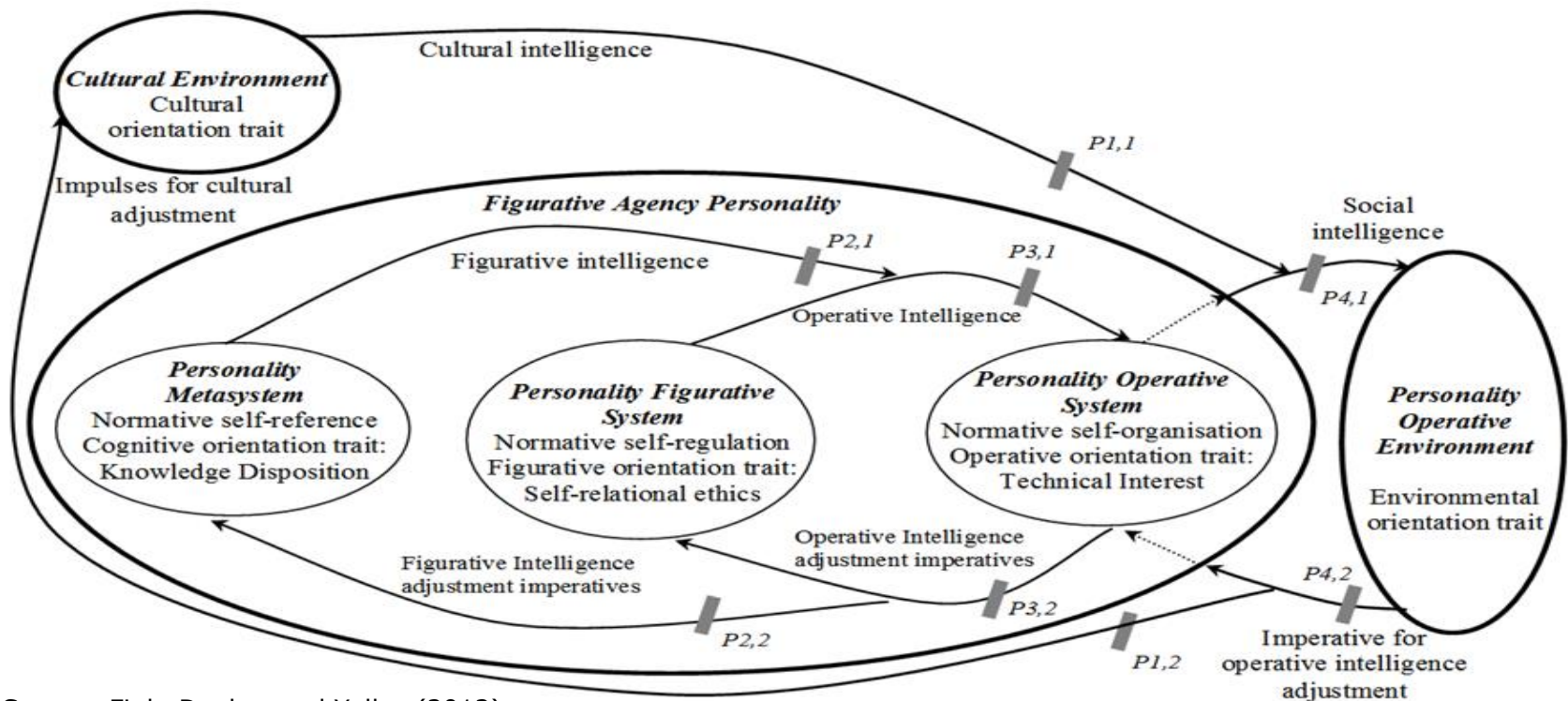
M&A methodological streams

Methods/techniques	Source of data	Dissemination	Objective	Benefit
Cross-sectional analysis (hypothesis and correlation of dependent and independent testing variables, structural equation techniques, statistical analysis)	Secondary data mainly from databases	Vast majority, US	Explain and/or predict performance	Stimulate/reproduce existing research and theory, explain M&As as uniform events
Mixed methods, triangulation (combine generalizability of findings from survey with depth of qualitative research)	Qualitative and quantitative data	Poor dissemination	Explain and/or explore cultural aspects, overlooked issues like motives, trust asymmetries,...	Explore new dimensions, raising new research questions, explain M&As as multi-faceted processes
Critical discourse analysis, narrative interviews	Interviews, participant observation	Consistent body, Nordic countries	Explanation of events and experiences and/or perceptions	Challenge taken for granted theories, develop new theories, explain M&As as multi-faceted processes

Source: Compellation based on Meglio and Risberg (2010)

Approach configuration model of organisational culture

Values and norms are interrelated with the strategies, structures and operations of an organisation. Communication processes within and throughout the organisation affect the change of those dimensions/traits.



Source: Fink, Dauber and Yolles (2012)

Approach affective and emotional dimension

Affective and emotional aspects are essential to understand behavioral patterns in post merger integration processes.

Agency Affect			
Agency	cultural	fear	isolation, non-cooperative, insecurity re- authority, anxiety, aggression
		security	trust, confidence, satisfaction, solidarity, encouragement, hope
Agency Personality	cognitive	stimulation	reinforcement
		containment	teduction, withdrawal
	figurative	ambition	elation, assertion, appetitive, approaching
		protection	shelter, support, aversive, defensive, withdrawal
	operative	dominance	anger, annoyance, attention to detail
		obedience	fear, submission, modest leeway, temptation, creativity
Agency	operative-social	empathetic	accepting
		missionary	imposing

Source: Dauber and Caiazza (2014)

Sources of data and analytical steps

26 narrative interviews and memos, several documents issued by the organisation
Selection of interview partners by **snowball sampling** and **theoretical sampling**

Table: distribution of interview partners

		position		
			management	employee
gender	female	6	4	2
	male	20	18	2
total		26	22	4

From 1st to 2nd order analysis with the **coding process** proposed by Strauss and Corbin (1998):

- **Open** coding: "The analytical process through which concepts are identified and their properties and dimensions are discovered in data." (Strauss, Corbin 1998:101)
- **Axial** coding: "The process of relating categories to their subcategories, termed 'axial' because coding occurs around the axis of a category, linking categories at the level of properties and dimensions." (Strauss, Corbin 1998:123)
- **Selective** coding: "The process of integrating and refining the theory." (Strauss, Corbin 1998: 143)

Sources of data and analytical steps

Quantitative exploration of the co-occurrences of quotes, codes and super-codes with frequency and the corresponding coefficient (c-index).

Change orientation / change concepts:

- a) Identification of codes representing a change with support of co-occurrence ratios (mosaik display) and qualitative analysis
- b) Correlation (c-index value) of related codes this change
- c) Correlation of this change with domains of the model of organisational culture
- d) Interpretation of findings
- e) Comparison of identified changes

Organisational cultures / differences between groups:

- a) Identification of codes representing a organisational cultural subgroup
- b) Co-occurrence analysis across interviews and subgroups
- c) Qualitative analysis of co-occurring subgroups



exploration of the **relation** of changes and cultures

Sources of data and analytical steps

Employee survey

- with a questionnaire of 11 questions on communication quality
- distributed 3 times during the integration process
- $n \geq 1400$
- Likert scale, positive formulation

Linear model to generate further insight into perceived changes of communicative aspects.

First findings on organisational cultures

'how do *organisational cultures* affect change orientations'

One approach to investigate into differences and similarities of groups is the **faultline research**. Two different types of faultlines are mentioned in the literature. The *dormant*, deductively and theoretical hypothesized, faultlines that differ from the *active*, inductively found and perceived by the member of the subgroups, faultlines. Researchers find stronger relationships of *active faultlines* and *outcomes* than between dormant faultlines and outcomes.

In **M&A literature** it is common to use the merging companies as groups that are compared (dormant). To set a stronger focus on the **integration process**, which in this case study started several years ago and involved several entities, interview partners were not explicitly asked about merging units. It seemed appropriate for the research question to focus on **active faultlines**, i.e. those **differences perceived by interview partners**.

Differences between groups

The following table shows a compellation of types of subgroups found in organisational studies and perceived by interview partners of the case study.

The only subgroup distinction referred to by all of the interview partners (100%, n=26) was the **functional culture**, i.e. differences interview partners perceived with regard to either a supporting or a strategic task obligation.

Table: own compellation of organisational cultural subgroups

Theory based type of cultural subgroup	dormant	active	specification by empirical evidence
Functional	X	X	support, strategic
Occupational	X	X	manager, employee, expert, analyst, assistant
Geographical	X	X	local, regional
Political		X	party, ministry
Structural / Entity		X	organisational entity, task force, working group

Differences between groups

The distribution of interview partner with regard to functional culture.

Table: distribution of interview partners with regard to functional culture

			functional culture	
			support	strategic
gender	female	6	2	4
	male	20	14	6
	total	26	16	10

First findings on change orientation

'how do organisational cultures affect *change orientations*'

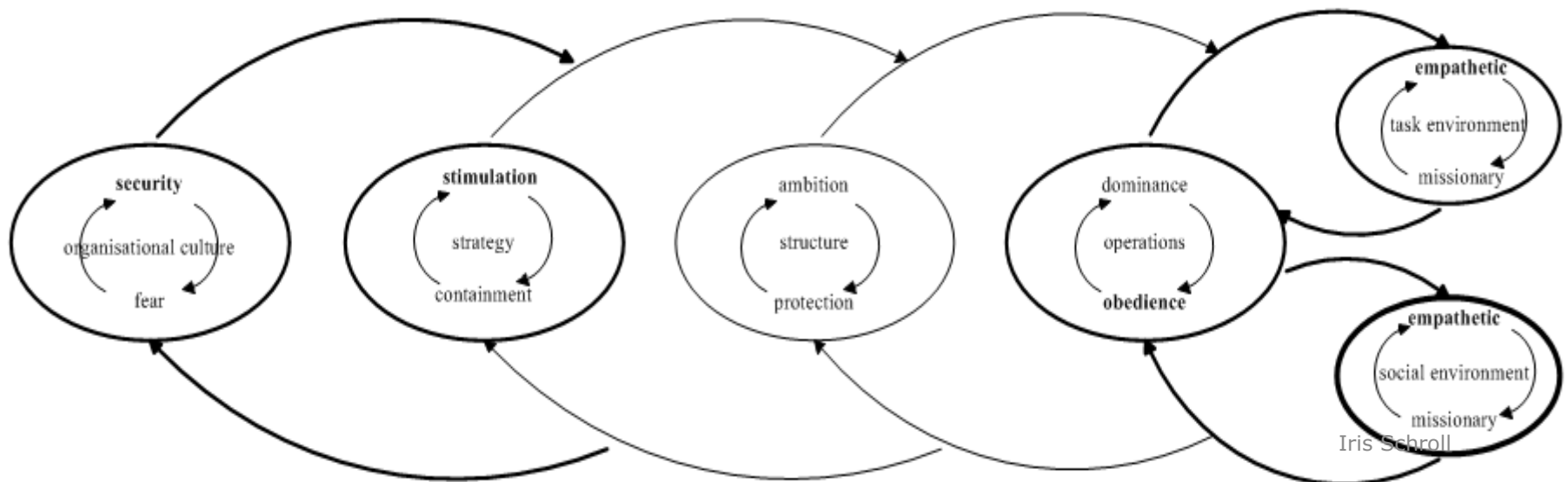
Research on change and change management and specifically mergers integration processes have several focal points. Most important studies approach change by...

- characteristics of the process, i.e. incremental or radical,
- nature of the process, i.e. task or social structure (Beer, Nohria 2000; Cohen 2000; Bartunek 1984)
- leadership style, i.e. directive or participative (Janicijevic 2011)
- individuals orientation, feelings and satisfaction, commitment and cooperation
- a gap between ‚as is‘ and ‚shoud be‘ (GLOBE)
- **Perceptions and experiences of changes**
- competencies of or within organisations, learning or innovation

Change concept: 'the good, the bad and the ugly?'

With this concept the relation between the visibility of **customers**, the responsibility of **employees** for new tasks and the importance of economic knowhow of **managers** becomes present.

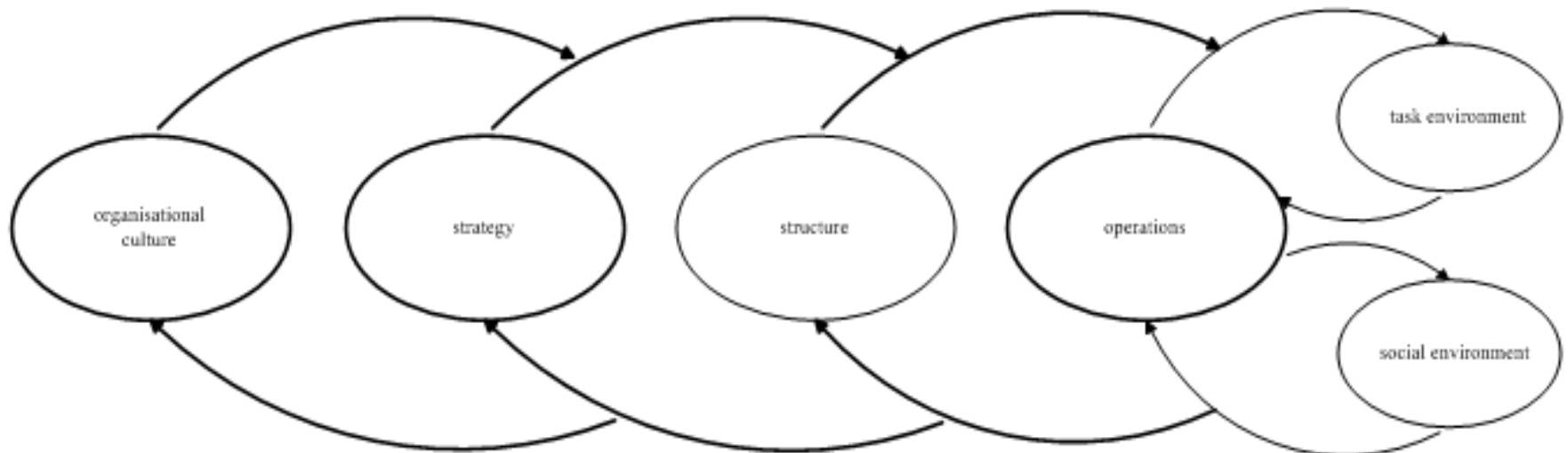
Add. codes related to change concept 4	c-index
challenge objective knowledge organisation	0,04
change of approach to task fulfillment	0,05
diverse approaches to task fulfillment	0,09
increase awareness of output for money	0,06
relevance of communication	0,06



Change concept: ,breaking the bottleneck?`

This change includes a) an increase of **instruments** for the evaluation and assessment of performance and task achievements, b) a significant change of the **surface structure** of the organisation, i.e. rules, structures and processes that are official and authorized, and c) growing **awareness** about recurring problems and the need to change related approaches for problem solving.

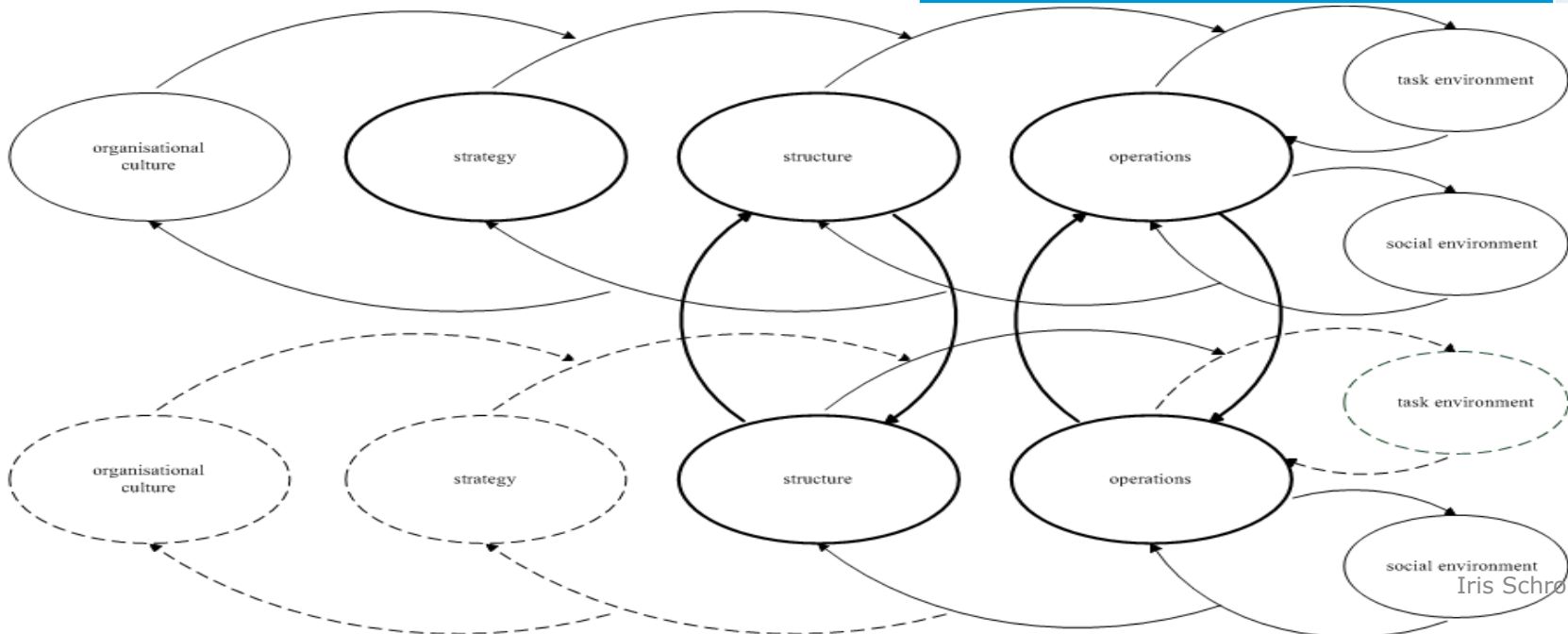
Add. codes related to change concept 1	c-index
centralisation	0,03
challenge team work	0,04
cultural change	0,05
restructuring	0,06



Change concept: 'just enough is more?'

'Just enough is more' illustrates a change concept with regard to **personnel**, **structures** and **budget**. No reduction was mentioned for the size and scope of duties but 'specialisation' was perceived to be needed.

Add. codes related to change concept 3	c-index
efficacy orientation	0,16
reduction of cost	0,06
reduction of formal hierarchy	0,05
support units	0,05



Comparison of change concepts

All of the change concepts have their specific characteristics and implications. The following illustration highlights comparable differences with regard to affected domains.

Table XY: comparison of change concepts with regard to domain

	c-index				
	1	2	3	4	5
Domains / Change concepts	breaking the bottleneck?		just enough is more?	the good, the bad and the ugly?	
organisational culture	0,34		0,32	0,12	x
strategy	0,34		0,35	0,12	
structure	0,2	x	0,29	0,09	
operations	0,37		0,35	0,16	x
task environment	0,11		0,13	0,24	

Change concepts and organisational cultures

Together with the functional culture, interview partners addressed other cultural subgroups when certain issues became central. The perceived '**cultural overlaps**' and corresponding **topics and change concepts** are shown in the following table.

Table XY: compellation of organisational cultural subgroups and change concepts

	Cultural subgroup	Change concepts	topics
A	Political	4, 2	more employees, change of power relations/organisational structures (positions)
B	Geographical	5,	Trust, shared experience, equal behavior and communication style
C	Structural	2, 5, 3	Alternative structures, team work
D	Occupational	3, 1	Operations and tasks, different strategies

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Backup

The following examples explain the **co-occurrences** with the *frequency* and the corresponding coefficient, also called *c-index*.

For example, the co-occurrence frequency between the domain organisational culture and operations is 431. This means, that out of all quotations for the two super codes (in total 1133; organisation culture 528, operations 605), 431 times quotations occur on both super codes. Co-occurrences within one domain do not exist, which is expressed with 0. The corresponding c-coefficient is 0,61.

With the c-coefficient the ratio of amounts of quotation for each of the two different domains is expressed. This means, if one of the domains would include significant fewer quotations than the other, also the coefficient would be lower. In consequence, the proportion of values of domains is significant for interpretation.

A detailed explanation on the calculation of the c-coefficient is provided on Atlas.ti (2015): <http://forum.atlasti.com/showthread.php?t=4210> [05.05.2015]. The calculation of the c-coefficient is based on approaches borrowed from quantitative content analysis (Garcia 2006).