LEVERAGING THE CROSS-CULTURAL DYNAMICS OF M&A INTEGRATION:
THE CASE OF A FRENCH-AMERICAN MERGER

Abstract: M&A literature demonstrates that cultural factors have an important impact on M&A performance. Analysis of the integration process has outlined organizational drivers of performance such as knowledge transfer and careful integration execution. However, sociocultural drivers of integration have not been extensively researched in organizational dynamics. Indeed, extant literature has focused on cultural distance and disregarded the cultural processes at work when two independent entities merge. This paper fills this gap in advancing understanding of the influence of cultural dynamics on performance and unveiling sociocultural drivers of performance. Its findings are drawn from the organizational learning perspective enriched by intergroup contact theory.

Introduction

Cross-border mergers and acquisitions are a common form of inorganic growth, suitable for reaching international markets, finding new profitability sources and making economies of scale (Stahl, Mendenhall, Pablo, & Javidan, 2005). In spite of this growth potential, numerous cross-border M&A have reported failure (Zollo & Meier, 2008), often blaming cultural differences for hampering performance (Cartwright & Price, 2003). Studies of the relationship between culture and performance are abundant in M&A literature as estimates of failure to perform have ranged from 50% to 80% (Hunt, 1988; Marks & Mirvis, 1998). While most cultural studies have analyzed the relationship between cultural distance and performance, few studies have focused on the cultural dynamics of integration. This paper aims at exploring the cultural processes at work for the new organization to deliver value. In drawing from an
organizational learning perspective enriched by the intergroup contact theory, this paper sheds light on the cultural drivers of post-merger integration. It is organized in four sections.

The first section is a review of extant literature. The focus is on the relationship between culture and performance: the need for a dynamic approach is underlined as there is very little research into the cultural interplay between combining organizations.

The second section is devoted to the possible insights that might be drawn from looking at the integration process from an organizational learning perspective enriched by intergroup contact theory. This view suggests that combining organizations must learn from each other’s culture to be able to produce synergies and that this learning should take place under specific conditions.

The third section presents the methodology chosen to explore this theoretical framework and describes the case study.

The last section shows that organizational learning and intergroup contact account for some key drivers of performance. A rich set of interactions takes place at the broader cultural level stretched between institutionalization through formal structural integration and internalization through the construction of a new identity.

This paper therefore provides a better understanding of the influence of cross-cultural dynamics on post-merger integration. In outlining the cultural processes that unfold when two organizations join forces, it sheds light on the sociocultural drivers of performance.

SECTION 1 - REVIEW OF THE LITERATURE: CULTURE AND PERFORMANCE

Until interest in sociocultural factors of M&A performance was aroused, research into M&A success had primarily drawn attention from academics in strategy, economics and finance. Drivers of performance had ranged from strategic factors such as similarities of markets and
products, complementary of assets and synergies in production, to economic and financial factors such as cost and type of transaction, financing and size of the operation or value creation for shareholders. When the focus shifted to sociocultural and human factors, abundant evidence was provided about the negative feelings generated by culture through ethnocentric attitudes (Nahavandi & Malekzadeh, 1988) or stereotyping or dominance modes (Jemison & Sitkin, 1986). In investigating the negative psychological effects of M&A on employees, Buono and Bowditch (1985), Marks and Mirvis (2011), Cartwright and Cooper (1996) underlined the stress resulting from changes in organizational routines and work practices, leading to resistance to change, high staff turnover, absenteeism and lack of cooperation (Nahavandi & Malekzadeh, 1988; Datta, 1991; Haspeslagh & Jemison, 1991; Chatterjee & al., 1992). The analysis of the influence of culture on performance has long revolved around the notion of cultural distance.

**The cultural distance paradigm**

Cultural distance, mostly in the form of an index compiled by Kogut and Singh (1988) from Hofstede's cultural dimensions (1980), stipulates that as distance between cultures widens, difficulties increase. Cultural distance and its proxies have been claimed to tax M&A performance (Buono & Bowditch, 1989; Weber et al., 1996). The lack of cultural compatibility or culture fit has often been quoted to account for M&A failure and cultural distance has also been extended to include management style similarity. Similar styles have been found to have a positive effect on M&A success (Datta, 1991) whereas different styles have brought about slower down decision-making and poorer communication stemming from conflicts on how risk should be managed or on how reporting should proceed (Schoenberg, 2004).
However, opposite findings have pointed to the equivocal influence of culture on performance (Stahl & Voigt, 2008), demonstrating that cultural distance also enhances performance (Weber et al, 2008). Research evidences the beneficial influence of cultural differences on post-merger performance with such outcomes as synergies (Larsson & Risberg, 1998), sales growth (Morosini et al, 1998), and capability complementary (Cartwright & Cooper, 1996) or reduced employee resistance (Larsson & Finkelstein, 1999). The building of a new identity and adherence to common goals have been associated with improved organizational performance, higher commitment and talent retention levels, linked with job satisfaction, new job prospects and opportunities for career development (Buono & Bowditch, 2003).

Cultural conflicts have been found to be more prominent in cross-border rather than domestic M&A (Lubatkin & al., 1998), on account of the double-layer acculturation phenomenon that brings together not only two organizational cultures but also two national cultures (Barkema et al, 1996). On the other hand, cross-border deals have been shown to be more successful in achieving synergy realization (Larsson & Risberg,1998), due to increased awareness of cultural differences or because national cultural differences elicit perceptions of attraction rather than stress (Very, Lubatkin & Calori, 1996).

Consequently, cultural dynamics has been under-researched: for the past 30 years, academia has adhered to the cultural distance paradigm (Stahl & Voigt, 2004) which has investigated the influence of pre-merger cultural differences on post-merger outcomes. Although the contribution of this stream of research has advanced understanding of organizations’ cultural features, its findings remain inconclusive (Teerikangas & Very, 2006; Stahl & Voigt, 2008). The reasons for these mixed results are to be found in the conceptual and methodological concerns surrounding the cultural distance construct (Teerikangas & Very, 2006). On the conceptual ground, studies have investigated different levels of culture, mostly national or organizational (David & Singh, 1994), thus making it difficult to interpret and generalize.
findings (Stahl & Voigt, 2008). Likewise studies of cross-border M&A have seldom probed the 2 levels simultaneously, suggesting that only one culture is at play in the combination (Cartwright & Price, 2003).

On the methodological ground, studies have assumed symmetry and continuity of cultures, explored different fields of industry and considered different outcome measures, whether financial or non-financial. In spite of well-documented evidence that cultural distance is not the most reliable tool to account for the influence of cultural differences on M&A performance, researchers keep using this measure (Shenkar et al, 2008).

Two main motives should redirect researchers’ attention. First, the assumption of distance as discordance reflects ethnocentric views and maintains the negative bias on which the concept rests, implicitly denying the fact that difference may lead to complementarities (Shimizu et al., 2004). Contrary to this view, diversity is believed to have the potential to provide more scope, more creativity and more variety in devising solutions to organizational problems (Adler, 2002; Cox, 1993): multiple perspectives and multiple interpretations generate greater openness to new ideas, expand meanings and increase flexibility in problem-solving. Conversely ignoring cultural diversity may bring about ambiguity, complexity and confusion leading to difficulties converging meanings, decisions or actions (Adler, 2002; Cox, 1993).

Invalidating the thesis that distance is harmful opens a new path. So does moving away from the cultural distance paradigm.

**Cultural dynamics**

In perpetuating the cultural distance assumption, most studies have assumed that cultural distance has a direct causal effect on performance and promoted a static view of culture (Teerikangas & Very, 2006).
Much is to be gained from looking into the black box of cultural dynamics. The way one culture comes into existence in relation with another culture in the context of cross-border M&A is an exciting research field which suggestions of leaving cultural void (Morosini, 1998), closing distance (Shenkar et al, 2001) or taking off the methodological and conceptual straightjacket of the cultural distance hypothesis (Shenkar et al, 2008) keep drawing attention to.

In summary, research has been overly optimistic in assuming that post-merger outcomes can be predicted by a composite measure of national cultural differences in isolation from the wider integration process (Stahl & Mendenhall, 2006) and has neglected the importance of looking into cultural dynamics: “how different one culture is from another has little meaning until those cultures are brought into contact with one another (Shenkar, 2001, p.527-528).

Leveraging cultural differences for performance is contingent upon the extent of integrating the two firms. From an integration perspective, cultural differences are not likely to be an issue for unrelated M&A guided by financial gains whereas integration requires planning and guidance if expected synergies are to be captured (Rottig, 2007). The degree of contact or interface needed between cultures to reach strategic objectives determines the relevance of cultural integration. Organizations have the choice of integration modes depending on the need for strategic interdependence and organizational autonomy: from total preservation through symbiosis to total absorption (Haspelagh and Jemison, 1991). The balance between these needs determines the degree of integration and the extent of cultural dynamics. In summary, cultural dynamics will take place when there is a minimum degree of needed cooperation and will intensify as high integration translates into more interdependent processes and functions.
Interdependent processes and functions interact with the complex mechanics of integration. Integration is a multi-faceted and multi-level process resulting from various interactions between individuals and groups of individuals across the organization. It has been defined as the combination of two interdependent, simultaneous sub-processes: organizational and sociocultural integration. Birkinshaw, Bresman and Hakanson (2000) have demonstrated that overall integration effectiveness is the outcome of an iterative, interactive process, requiring both socio-cultural and organizational integration efforts (Birkinshaw et al, 2000). Poor socio-cultural integration often blocks successful organizational integration and organizational integration cannot be realized if effective sociocultural integration has not been achieved (Schweiger & Very, 2003). In order to better understand how cultural dynamics influence the integration process, one must be careful to consider “the double-edged sword of culture” (Reus & Lamont, 2009). The creation of a new culture is brought about by sociocultural integration while organizational integration drives transfer of capabilities, resource sharing and organizational learning. Dealing with each sub-process in isolation is useful to better understand the building-blocks of integration; however, a more integrative perspective is needed to incorporate the interplay between the two. In drawing from the knowledge-based view of the firm enriched by intergroup contact theory, we put forward some the dynamic factors that account for performance.

SECTION 2 - INSIGHTS FROM ORGANIZATIONAL LEARNING AND INTERGROUP CONTACT THEORY

Organizational learning

Organizational learning theory finds its roots in the knowledge-based view of the firm which considers knowledge as a key resource (Grant, 1996). According to this view, firms are
creative organizations (Kogut & Zander, 1996), who produce sustainable competitive advantage (Kogut & Zander, 1992; Grant, 1996) in generating and transferring knowledge.

The knowledge-based view of the firm is closely associated to M&A performance: scholars point out a positive relationship between post-merger performance and knowledge transfer (Zollo & Singh, 2005). Prior M&A experience is usually associated with knowledge transfer success. Codification of knowledge enhances transferability (Reus & Lamont, 2009). The retention of key knowledge holders also boosts performance: if the firm loses knowledgeable individuals, it simultaneously loses some of its strategic capabilities such as technical and operational expertise or knowledge of the organization (Mirc, 2007). Knowledge acquisition can be a motive to acquire an organization or merge with a potential competitor or partner (Lakshman, 2011); new technological and operational expertise as well as marketing and customer know-how may be gained which improve business scope and market power (H weslagh & Jemison, 1991). Therefore, knowledge acquisition and transformation are key processes in M&A value creation (Schoenberg, 2001).

Information theory (Van Knippenberg and Shippers, 2007) substantiates the positive influence of cultural differences on knowledge transfer: diverse groups benefit from enriched information sources and outlooks to produce synergistic outcomes. Differences in cultures help firms decrease inertia, break rigidities, develop richer knowledge structures and foster innovation and learning (Barkema & Vermeulen, 1998; Vermeulen & Barkema, 2001). Cross-border M&A give access to different routines and repertoires embedded in different national cultures which have the potential to enhance the combined firm’s competitive advantage (Morosini et al, 1998).
Culture as knowledge systems

For knowledge acquisition and transfer to take place, the merging organizations must be able to learn from each other. In domestic M&A, this organizational learning expertise lies in the ability to understand how the new organization is going to deliver value in bringing two organizational cultures together. In cross-border M&A, knowledge transfer involves language issues and double-layer acculturation as organizational learning takes place at both organizational and national culture levels. Morosini (2005) argues that double-layer acculturation involves taking up the challenges of transferring knowledge that is both objective and subjective as organizational routines and processes reflect the national culture in which organizational cultures are rooted (D’Iribarne, 1989). Organizational and national cultures are themselves knowledge systems (Gregory, 1983) which serve as a basis for interpreting experiences and generating actions. Learning about the other cultural system should promote understanding and facilitate transfer of knowledge (Kogut and Zander, 1992). In cross-border M&A, many misunderstandings and communication gaps occur because organizational members lack the means to decode and interpret “the whys beneath the whats” (Marks & Mirvis, 2011, p.868). Acculturation is likely to be facilitated by learning about cultural differences between combining firms (Olie, 1990); through mutual learning, differences are identified, disagreements are clarified and cooperation may be initiated on the basis of shared understandings. Cooperation is a process that can hardly be activated without the support of cultural learning in the early stages of integration, according to the experimental study of Weber and Camerer (2003) since organizations from different national and organizational backgrounds must understand each other’s business practices, work values and assumptions before they take advantage of combination potential.

In cross-border M&A, the issue of how a company holistically combines national and organizational culture differences to generate superior execution is critical: on the one hand,
there are explicit processes, routines, procedures and codes in organizational cultures that task integration engineers in addressing knowledge transfer and operational synergies (Morosini, 2005). These explicit processes, routines, procedures and codes are relatively easily adjusted or transformed: they can be written and demonstrated. In other words, they can be codified in order to be transmitted and contribute to understandability (Reus & Lamont, 2008). On the other hand, there are “implicit, subjective, experience-based processes and repertoires tacitly embedded within groups and individuals as well as attitudes and values” (Morosini, 2005) that need to be addressed to achieve cooperation and social cohesion. Subjective knowledge is knowledge that is not easily identified and codified: it is usually not written and has to be explained to be transmitted. It includes routines and repertoires underlying objective knowledge that cannot be explained without decoding mechanisms. Subjective knowledge refers to the processes, routines and repertoires which have proved successful in building and growing the company (Schein, 1996) and reflects the national culture values and assumptions in which they are embedded. They explain differences in management processes such as planning, leading, organizing and controlling issues and deal with reporting, decision-making, recruiting, training, troubleshooting mechanisms that were used by each former entity in their daily operation. Subjective knowledge is a cognitive dimension based on experience-based understanding of complex phenomena such as national culture assumptions which are difficult to formalize, though essential to business performance (Morosini, 2005). In the combination process, a bridge needs to be built between differences in beliefs about relationships with others, differences in perceptions of work organization, differences in perceptions of the relationship with time and the environment. More formal, hierarchical modes of operation may need to be reconciled with more collaborative structures; team-based operations with more individualistic approaches, long-term with more short-term perspectives. David & Singh (1993) theorize the complexity of cultural access to understanding by suggesting that front
stage culture (formally communicated, relatively standardized understandings that guide employee conduct) coexists with backstage culture (less formally communicated, more ambiguous or divergent understandings that guide conduct). Cultural conflict results from imperfectly shared understandings arising when people who differ in backstage culture must work together. Therefore bridging cultural gaps through backstage cultural learning is essential to a successful integration process (David & Singh, 1993). Companies that are able to develop common cultural conventions are more efficient: they build shared understandings for interaction (Weber & Camerer, 2003).

Focusing on the means by which organizational learning develops consequently involves studying the processes by which members of the new organization exchange and combine knowledge. The knowledge-based view of the firm emphasizes the importance of human resource planning through formal mechanisms. However, this stream of research has been more normative and has mostly focused on domestic M&A. Open communication and the formalization of integrative instruments – e.g. cross-functional teams, cultural learning, regular meetings, job rotation and staff exchange - have been pictured as facilitators in the knowledge transfer process (Bresman & al, 1999; Rottig, 2007) but their positive influence has not always been demonstrated. Few exceptions are recorded: in a large-scale experiment conducted at three different plants located in a similar domestic environment, Schweiger & Goulet (2005) demonstrate that deep-cultural learning, i.e. learning about objective and subjective culture, generates better performance that surface-cultural learning, i.e. learning about objective culture only. Aside formal learning interventions, informal mechanisms have been suggested: constructive collaborations between entities, notably in the form of self-organizing teams (Nonaka, 1994) are suggested to enhance knowledge transfer. Such “communities of interactions” (Nonaka, 1994) trigger socialization dynamics among individuals and groups. A shared culture and social identity develops, which has an effective
impact on knowledge transfer. As these different studies have pointed out, the way knowledge is transferred highlights the ability of the new firm to deploy this resource.

**Intergroup contact theory**

However, knowledge transfer can only be achieved in cross-border combinations if the new organization is ready to accept knowledge transfer, a process which may be jeopardized if cross-cultural dynamics causes disruption (Morosini et al, 1998). Social identity theory clarifies the negative outcomes of cross-cultural contact through social categorization mechanisms: social identity theory (Tajfel, 1974) applied to M&A argues that in a combination process, social groups unconsciously identify themselves in opposition to others. By showing a positive bias towards members of their in-group and a negative one towards members of the out-group in order to reinforce their relative standing (Very et al, 1997), they develop an ‘us versus them’ attitude which negatively impacts relationships and leads to stereotyping, defense mechanisms (Nahavandi & Malekzadeh, 1988) and power struggles (Sales & Mirvis, 1984). Under conditions of threat and/or when the out-group is perceived to be very different from the in-group (Elsass and Veiga, 1994), increased cohesiveness of the in-group and resistance to the out-group will hamper cooperation (Stahl and Sitkin, 2005). Feelings of hostility and distrust may also be displayed by organizational members when one organization attempts to dominate the other (Jemison & Sitkin, 1986) harming post-merger integration. In cross-border M&A, these feelings may also be exacerbated by national stereotyping and xenophobia (Vaara, 2003).

For knowledge transfer to take place, the “we versus them” attitude must have been overcome through acceptance of the change process. In her study of the merger between professional service firms, Empson (2001) identifies drivers of knowledge transfer acceptance: the
perceived quality of the merger partner enhances the willingness to exchange knowledge with other members of the organization.

In order to better explore the human integration sub-process, we mobilize intergroup contact theory (Pettigrew & Tropp, 2006) to elicit some of the factors that facilitate cultural integration. Intergroup contact theory has been extended past its original scope of action to look into cooperation processes at large. It has gone beyond the initial examination of the link between intergroup contact and racial and ethnic prejudice to address other forms of resistance to intergroup cooperation. It combines four optimal conditions that are best conceptualized as an interrelated bundle rather than as independent factors. They are contained in Allport (1954)’s work derived from Williams’s (1947) initial work. These conditions include:

- Equal status between the groups in the situation
- Common goals
- Intergroup cooperation (or no intergroup competition)
- The support of authority, law or custom.

Past research establishes that these optimal conditions generally enhance the positive effects of intergroup contact (Pettigrew & Tropp, 2006). Intergroup contact theory is now considered as a general social psychological theory that we can draw from in order to address the combination of two different cultural groups in a cross-border merger context. Equal status between the groups in the situation suggests balance of power between the former entities in the combined organization. Common goals imply adherence to the new vision and mission for which the new entity has been shaped; intergroup cooperation suggests that organizational members cooperate across former boundaries for mutual success; the support of authority implies that management encourages cooperation.
In addressing cultural dynamics in the integration process, we argue that combining organizational learning with intergroup contact theory is most relevant to advance understanding.

SECTION 3: RESEARCH DESIGN AND METHODOLOGY

Research design

The case at stake gives the opportunity of a multi-dimensional, multi-level study of a two-year-and-a-half integration sequence. In order to conduct an analysis of the cultural dynamics taking place during integration execution, we need to look at the interaction between organizational decision-makers and members as influential forces shaping merger integration. This study consequently requires an in-depth qualitative research methodology (Miles and Huberman, 1984) to explore how practitioners apprehend and leverage cultural differences. We adopt an interpretative stance which assumes that diverse meanings exist and influence how people understand and respond to the objective world. Indeed interpretative research describes how different meanings held by individuals or groups of people coexist and stem from diverging interpretations of reality.

The choice of a single case study meets the requirements of exploring a complex, multi-level (3 levels of hierarchy were considered) and multi-dimensional (organizational and sociocultural) context in which we focus on the execution of integration as the driving force for cultural dynamics and a vehicle for cultural interpretations.

Case study

The case study under investigation is that of a merger between two management consulting firms, a French consulting firm and an American consulting firm, with different areas of expertise but one at the time of the merger. Both management consulting firms belong to the
same organization which is a holding company quoted on the London Stock Exchange. The holding company acquires the two organizations respectively in 2006 and 2007. The new organization is a large consulting firm totaling 1400 staff, spread over 13 countries and 4 continents.

The merger takes place in January, 2011, two years after the initial planning decision. The delay in implementation is due to the financial crisis of 2008 and is taken advantage of to start planning for integration execution. The merger is initiated by the holding company with the consent and approval of both management teams in their respective organizations.

The merger makes sense for several reasons:

- The crisis has hit one of the firms more seriously and it needed a boost
- Management consulting expertise is complementary between the two entities
- Geographic scope is complementary between the two entities

Although these arguments are clearly in favor of a combination, there remain differences between the 2 firms:

- One is headquartered in France with offices in Belgium, Luxemburg and Switzerland and delivers value for a wide variety of clients in many fields of expertise; it is pictured as a generalist with 11 practices. It is named YYY in our study.
- The other is headquartered in the US with offices in France, Germany, the UK and Japan and delivers value for one major category of clients in a historically dominant field of expertise; it is pictured as a specialist with 1 prevailing practice and 2 other fields of activity. It is named XXX in our study.

The new management team is very well aware of the challenges raised by combining two systems with different national and organizational cultures and ready to take them up.

Anticipated synergies are:

- Economies of scale through the combination of back office functions
- Broader geographic scope through an ability to tap into reciprocal markets and address new outlets
- Combined client base through combined client offer

After the official merger announcement, the new organization chooses a name and logo and shows a united front to the outside world: it is named XYZ in our study. A new management team is formed with an equal number of French/US representatives: an Executive Committee is set up, assisted by a Global Leadership Team with an equal number of French/US country and practice leaders. The back office functions merge whereas consulting teams continue operating from their geographical and practice base. The only team that physically merges is the US specialist team based in France who joins the French headquarters right after the merger. Three practices are chosen to become global. The other practices, while still operating from their respective geographic base (mostly USA, Europe and Asia), are encouraged to organize inter-consultancy exchanges and collaboration as the deal not only includes extension but multiplication of client base.

Data collection

Data collection relies on semi-structured interviews with an equal number of respondents from the former two organizations. We devised an interview guide in which we focused on three stages in the integration process: pre-integration perceptions, integration execution and post-integration assessment of merger success. At each stage, we asked respondents to describe integration execution mechanisms and identify drivers of success without directly referring to culture to avoid addressing cultural complexity and elicit spontaneous comments. Interviews were conducted with three sets of players at three different management levels in our sample: the top level management team, the country and practice leaders making up the Global Leadership Team and the managers of the Back Office Functions (Marketing, IT, HR
and Knowledge Management) on a one-to-one basis: one French and one US member were interviewed at each level of hierarchy, except for the Knowledge Management Department which had merged 3 weeks after the merger announcement. We also made a particular focus on the practice that had physically merged by interviewing the global practice leader, the local practice leader and a consultant, again reflecting three different levels of hierarchy to grasp the full extent of the cultural integration process and get rid of management bias. Interviews lasted from 45 to 90 minutes and were made in the respondent’s native language.

This multi-level approach delves into cultural dynamics from a functional perspective, investigating how marketing, information technology, human resource and knowledge management merge, and a business perspective cross-sectioning country leaders’ and practice leaders’ views.

The sequence studied is the window between the launch of the merger (01/2011) and summer 2013 as all interviews took place between June and September 2013. It is therefore an ex-post study of the merger execution process.

The case combines several features that are particularly relevant: first, as our main focus is on cross-cultural dynamics, we are able to study how actors made sense of different national and organizational cultures in the combination process and to advance understanding of the interplay of cultures. Second, as our objective is to unveil possible synergies in interaction, we identify the sociocultural drivers of post-merger integration through an assessment of merger performance progress.

Data analysis

We recorded, transcribed and analyzed 20 in-depth interviews. An emergent coding of interviews was done based on the objectives of the investigation. The coding aimed to identify recurring themes in the actors' narration of the integration process. The resulting categories
were refined as we moved forward in our analysis (Strauss & Corbin, 1998). According to interpretative principles, our categorization was thus directly rooted in the discourse of the interviewees. We also carried out discourse analysis supported by N’VIVO software to double-check meaning categories and recurrent themes.

The case is in line with some major methodological concerns. The population studied is exclusively composed of management consultants - the management team is made of former consultants who climbed up the corporate ladder, the back-office functions are managed by former consultants - we have a homogeneous sample of population under investigation, with similar background and experience whose added value and motivation reside in the intellectual resources and expertise brought to clients.

To triangulate observations (Yin, 2009), complementary interviews were conducted with external partners and observers such as post-merger integration experts in the same period of time. Corporate literature and documentation were thoroughly scrutinized to detect any inconsistency in the findings. Finally a summary of the findings was presented to the merged organization to get additional validation of our observations.

SECTION 4: RESULTS AND DISCUSSION

How actors make sense of different national and organizational cultures in the combination process enable us to advance understanding of cross-cultural dynamics. Considering that expectations towards the merger are similar on both sides and include mostly positive attitudes, we investigate how actors construct a new operating mode and evidence a single process and four sets of integration mechanism.

The process is the same across back-office and business functions. The amalgamation of the two human resource departments starts with a meeting of both heads taking place in the USA:
the complexity of the task is acknowledged (differences in culture, language and administrative environments), which justifies the need for a physical encounter. The meeting lasts for a whole week: after this lapse of time which has enabled leaders to develop a bond, they are able to outline sources of synergies and legal sources of constraints. Likewise the IT department meets in the USA where the French head has moved with his family to attend to the knowledge transfer phase. While the Marketing department regularly meets in France in order to monitor the marketing and communication campaign, the Knowledge Management department has anticipated the merger 2 years ahead of the announcement. We thus evidence a methodology and phasing used by back-office and business functions which consist first in evaluating knowledge on both sides, second assessing the challenges raised by combinational stakes in context and third re-contextualizing knowledge. Three stages are described in the acculturation process:

- Learning about reciprocal cultural systems and processes (evaluation phase)
- Conducting a gap analysis (contextualization phase)
- Renegotiating work processes (reconfiguration phase).

Cultural learning is achieved through a mutual discovery phase aimed at understanding each other's frames of references and solving the issue under investigation. It starts with an evaluation of cultural differences, sets these differences in the context of cooperation and reconfigures cultural systems to achieve set business goals. Mutual learning includes a key mutual listening component geared to business objectives and outlines the difficulty to adopt a 'one-size-fits-all' approach: several cultural integration options are singled out which emphasize the diversity of issues to be addressed in transition. In our study of the integration process, merger execution combines 4 options:

- Separation: the 2 models remain as the best solution for the new global organization, which is the case of most of the marketing function processes until April 2013;
- Adoption of one of the two systems or ‘best of both worlds’: the French model is made global and the US model disappears or the US model is made global and the French model disappears, which refers to some of the IT and HR processes as well as the new performance monitoring system which was adopted by the top management team;
- Combination: common, hybrid or mixed solutions are implemented, which again applies to some IT and HR processes;
- Transformation: the 2 models are transformed into a better one as in the case of KM.

The marketing department is early mobilized to market the new organization. A co-creation process results in unanimous adoption of a shortened version of the US legacy name (minus one word or one letter in its acronym). Because it is the result of a combination process, the design of the logo typifies the first mutual satisfaction that is shared by the merger players. It points at the importance of taking into consideration the 2 legacy cultures in building a new entity and symbolizes reciprocal change. The initial Internet site is launched after 4 months of collaboration and surfaces some major cultural issues: common identity and single structure are questioned in the design of the front page and redirections to the country sites. The marketing executives continue to operate from their geographic base for 2 years and a half until the US executive is assigned to the global marketing responsibility. The separation mode accounts for the discrepancies noticed in internal and external marketing operations: whereas the French entity insists on issuing paper documents, as epitomized in a merger passport for all organizational members and advertising brochures, the US entity has digitalized all its communication aids.

As far as the Human Resource (HR) department is concerned, information and knowledge exchange starts when threats have been lifted and organizational actors’ positions have been confirmed. Managing uncertainty is a key element in the integration process. Integration will
not start until ambiguities about people’s roles and responsibilities have been clarified. After scrutinizing operating modes and establishing that there is no overlap, the two HR functions work towards harmonizing processes with a view supporting business objectives. Some HR processes cannot be brought together on account of different legal environments. However, the French ERP system is extended to the whole organization to replace the old EXCEL system that the USA had put in place. Adoption of best practices has reached out to the manager nomination process: the French nomination process is extended to the new entity after thorough examination of mutual benefits and implications. Reciprocally the competency inventory system is imported from the former US entity (and slightly adapted to suit the French institutional context) on grounds of better clarity and more insightful categorization: Two mutually supportive processes are identified: recruiting and career development processes are harmonized to support the new organization’s expansion by incorporating the US skills inventory (advisory, client expertise, management and production), by building a common CV databank and organizing global mobility. Integrating the HR function is best pictured as a process aiming at compatibility rather than merging. The US and French HR administrative configurations are radically different and the stress is laid on labor relations constraints that compel the French organization to report to the French labor department and other social relations organizations. HR practices are very different when the two organizations merge.

The Information Technology (IT) department addresses merger execution in a phased approach. Search for mutual interest drives cultural integration. It results in choosing the best option and finding creative solutions such as combining the best of both worlds where the French ERP has been chosen and ERP monitoring is done in the USA. The main difficulties faced by IT back-office leaders are generated by users’ needs and the difficulty to transform local processes into global ones. Once again, each business model is embedded into a set of
administrative, operational and technical constraints and any radical change overlooking these needs and constraints is seen as bound to failure. The strategic importance of IT is emphasized as underlies the whole integration configuration and needs to combine operational efficiency with cost-effectiveness criteria.

As far as Knowledge Management is concerned, the department has already undergone a general transformation process in which processing of internal data is assigned to a Knowledge team and a Research team is entrusted with processing external data.

Choosing one legacy also extends to business operations as in the case of improved profitability. Increased performance has been reached through the adoption of the US set of management control metrics. By adopting the US control metrics, the former French entity has increased its performance. Adoption of the US metrics system has constrained the former French organization to increasingly individualize rewards, a move which has radically changed compensation systems. It has enabled the new organization to navigate through the economic storm and sustain organizational performance. It has also been sustained by combination and cross-fertilization of knowledge resulting in win-win situations.

The steps taken to integrate the two organizations describe cultural integration mechanisms which have enabled the new organization to align its processes and systems: they confirm our assumption of addressing cultures as knowledge systems. They refer to objective knowledge in the form of routines, processes and systems derived from organizational cultures which rest on subjective knowledge assumptions. The example of the performance monitoring system is probably the most symbolic one: performance criteria are the reflection of business models and corporate legacies. The growth business model in France is inherited from the company’s history: it has been formed by the need to start the business after a Management Buyout and generated collective rewards as a symbol of unity and solidarity in engineering success in a wide range of practices. The profitability business model in the USA which is supported by
individual rewards denotes a much more sales aggressive approach built in the course of the company’s 75-year history in a niche market. Adopting more individual performance criteria in the former French organization means relinquishing the previous operating system where everybody, that is to say, the collective, benefits from corporate growth. In changing performance assessment criteria and individualizing rewards, the former French entity has managed to increase its performance. When evidence is brought that a change in culture is or has been beneficial, it is always easier to address. When change is resisted, managing change in terms of knowledge systems rather than in terms of values defuses potential tensions and implies explaining why change is going to take place at both objective (individual versus collective rewards) and subjective knowledge levels (related to values and beliefs). Organizational members do not have to give up their cultural values but they need to be willing to adjust to a new knowledge system. We find that apprehending cultures as knowledge systems helps defuse tensions and soothe cultural resistance. It epitomizes the move from an emotional value-laden approach to a more objective content-based approach and paves the way for effective cultural dynamics.

In this process we find that three spheres of culture interplay: professional, organizational and national. Professional culture is viewed as the cement of the organization. Professionals on both sides assess that they are doing the same job and that professional culture builds a bridge between former organizations. The perception of similarity eases professional relationships and constitutes the glue between the 2 former entities. According to the French side, professional values are similar and revolve around knowledge and learning: «the values of the new company are displayed in the collaboration spirit that describes it, as well as the desire to be the best and to enhance one’s learning.” Knowledge is at the heart of the professional culture of the new organization. Being at the same time the mission of the 2 former organizations and the “raison d’être” for the combination, it is the common source of
organizational objectives and work execution.

Organizational culture features many of the gaps that the former entities have to bridge. According to one of the practice leaders in France, “we do the same job but we do not do it in the same way». Perceptions of differences are multiple and challenge the way people do business. They are reflected in histories, go-to-market models, HR processes, reporting lines and success stories and values. The history of the organizations -and the personality of the founder in the case of XXX- explain why XXX is a specialist whereas YYY is a generalist. Organizational cultures represent a major challenge in the merger: how to combine the features and competitive advantage of a generalist with those of a niche specialist was one of the questions that the combination had to solve. Go-to-market models are different too: whereas XXX had set up offices in Europe and Asia, YYY had remained a country-focused business with minor extensions in North-Western Europe. XXX pictures itself as an industry-based business with geographic extensions in Europe and Asia whereas YYY sees itself as a country-based business with practices serving a wide variety of local clients. The US side confirms: “there was a matrix; we, at XXX, were very focused on industry where globally we support the retail vertical for the most part. And at YYY they were very focused on geography.” This statement corroborates the different legacy that each organization brings along with the merger and illustrates the different assumptions that these legacies carry. The decision to combine the two focuses and to have a matrix organization in which each legacy survives is one of the main stumbling blocks of merger integration.

The more culturally experienced actors are able to relate organizational to national culture differences: they have experienced cultural differences previously and are in a better position to reconcile them. According to them, differences in organizational culture are rooted in national culture and translate different worldviews. They have internalized national culture differences: “in the spirit of candor, I do think there are differences between the management
styles of different countries and I see that in the UK, Asia, Germany”, says one US member of the executive committee. « Having lived and worked in the US, I am able to understand their way of thinking and feel in a better position to work out solutions that meet the needs of both sides», says a French practice leader. Cultural differences are also acknowledged through experience as influencing ways of doing. A marketing specialist reports: “another difference is that there is a much deeper social contract between an employer and an employee; it seems as though the employer feels a much greater responsibility to employees. In the US, if someone is not the best fit, it does not have to be contentious; that person is either let go, fired, laid off, dismissed”. Referring to different communication practices, one US national adds: “It is not to say that one is not ahead of the other because there are many other things that we are behind and France is ahead of us; but some are those of the cultural differences. Not everything works in the same way in different countries”. Awareness of cultural obstacles is the first step towards solving them. A marketing specialist states: “I have personally learned no matter how open-minded one imagines oneself, we are constrained by our cultural perspectives; all of our problem-solving, assessments have particular viewpoints. How we approach problems, look at problems is different. Crossing these differences is a lot of work”. Three levels of cultural differences are at play in cross-cultural dynamics; the interplay between these levels is complex and not easily perceptible by organizational players unless their cultural awareness has been trained and experienced. Our examination confirms that national culture differences underlie organizational culture differences; they imply different ways of doing and thinking and are rooted in values and underlying assumptions that differentiate one category of people from the other (D’Iribarne, 1989). Professional cultures are similar but interpreted differently through dissimilar practices rooted in dissimilar assumptions.
Sociocultural drivers of performance

After 2 years and a half, the merger is pictured as a success: in the light of expressed merger outcomes, we identify sociocultural drivers of post-merger integration. Merger success is described in the following set of metrics: no value destruction, talent retention and attained objectives: cost savings have been made and synergies, expressed in terms of geography and customer benefits, have been generated.

Cooperation: bonding and building shared identity

In learning about each other’s culture, the importance of the bonding phase is unanimously underlined by global practice, country and back-office leaders. Learning and bonding ease and reinforce cooperation: meeting and getting to know each other enable individuals to develop a trust relationship and work better together. According to a top executive, building awareness of a shared identity goes through bonding and learning: “Education, getting people together in a room, in that process, they become more aware of what the other is coming from”. Bonding helps organizational actors develop a genuine relationship. The relationship may extend beyond the work context to incorporate a personal relationship: “I do not want to make it more than it is because we are business people on the same day but knowing someone outside of work a little bit socially helps you in that work environment, I believe”, an executive notes. His French counterpart acknowledges the benefits of trust-building which reinforces cooperation: “we have a strong, genuine relationship; we know that we support each other”. Bonding helps develop mutual legitimacy gained in collaborative assignments that build shared identity day after day. Shared identity is the outcome of harmonious relationships; « the building of harmonious, effective relationships serves the new identity », a top executive argues.

The bonding phase is sometimes judged insufficient: « it is a shame; it would probably have been worthwhile to get to know the others earlier and to make closer links in order to develop
partnerships”, according to a country manager. “We are all doing that but again it has probably taken longer than expected”.

Physicality, in the sense of physical presence, is highlighted as being pivotal in establishing and reinforcing trust: “being physically together was key: going to lunch together, going to dinner together, you start to develop a bond, a friendship and a trust of each other”. Trust develops through being physically together: “other people may not have the same agenda; knowing that you can trust the person, when things come up and get a little questionable, you know what the person’s heart is on this. That’s a big deal”. On account of personal relationships, frank, straightforward communication takes place between teams which eliminates politicking.

The depth of the relationship and the subsequent degree of trust correlate with the quality of cooperation: “this department has a good professional relationship but that has not got the depth of relationship that another department has reached”, a top executive explains. The depth of the relationship characterized by genuine rapport enables organizational members to better overcome difficulties and focus on general interest: “It has not been easy, but again our relationship has helped us a lot. We focused on general interest from the start and excluded parochial and personal considerations or ego and status criteria. We never competed with each other”, says one of the back-office leaders. The universality of commitment through contact and subsequent focus on mutual interest is underlined by a top executive who minimizes the impact of national culture: “I believe that all cultures would feel the same commitment: my own personal experience (both here and there, in other dealings). If you get people down to an individual level and they work together and build that trust and respect, then the nationality piece really falls out. It is not a big deal. We make it a bigger deal that it really deserves to be”.

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Support of authority

Through bonding and learning, the Global Leadership Team has progressed in the building of shared identity. The quality of the relationship between top management teams has reinforced the motivation for other leaders or organizational members to follow suit: “So mainly the work relationship that our two leaders managed to build is the cement for the merger”. They have set the example and provide the needed support of authority (Allport, 1954): “since 2010, our CEO has travelled the world to create the physical bond between all the entities », comments a top official. The commitment factor enhances the trust and respect derived from mutual cooperation at the service of the new organization. It is evidenced in many of the functional improvements to date and points at the key human and cultural factors of merger success. After 2 years and a half since the merger implementation, people know one another better: cross-cultural encounters have lifted misunderstandings, people have connected with one another and have been able to better assess joint opportunities. Global practices have progressed towards more and better interactions: “it did feel for a while that the old YYY company was running the show but then having said that, I did not know a lot of those people, I did not know who the senior partners were in France, so you kind of do feel that, if you do not know them. Now I know who a lot of them are, I know those who have the best interest in the wider company at heart, so I do not feel like that in quite the same way now”, a country manager explains.

Focus on mutual goals

In line with intergroup contact theory, cooperation has been initiated under the supervision of the Top Management Team and replaced competition to reach common goals. Focus on mutual goals has been reinforced by expectations of novelty, belief in growth and success potential of the new organization. The merger makes sense from a global perspective as it
extends the new organization playground and shapes a new global value proposition. With the merger, there are anticipated back office efficiencies, reduced overheads and other economies of scale. The merger introduces a novel perspective with new challenges. The French side comments: « we were lucky enough to build a new company ». Overall positive expectations are expressed towards the new organization’s potential for future synergies derived from assessed complementarities and subsequent limited overlap.

In reshaping the organization, mutual constraints have been identified and assessed to grasp the full extent of the merging process. Mutual understanding has resulted from contact, reciprocal awareness of the business stakes, reciprocal understanding of objective and subjective culture through knowledge sharing, and joint production of solutions to organizational issues: “success has been engineered in areas where people have got to know each other, have set common goals, have defined common processes and achieved mutual understanding of operating modes” one country leader comments.

**Balance of power**

Balance of power is reflected in organizational structure: on the executive committee, there is one American for every French person. On the Global Leadership Team, equal status also applies; there is a representative for each country and each of the global practices. Balance of power drives knowledge sharing: even if some practices do not share the same professional constraints (the US health system is very different from the French health system), they have worked on common quotations to address clients. A virtuous circle starts with cross-cultural learning achieving understanding; cooperation breeds cooperation and success breeds success: “results and achievements that are visible across the board generate more cooperation and achievements”, according to a French practice leader.
Cooperation and common goals have shifted work relationships from a competition to a cooperation mode: «my job consists in explaining what we do and to what extent our activities are complementary and not threatening», a global practice leader argues. Interdependence in achieving common goals implies obliterating egos: “If people have a common goal, and they realize that they are interdependent in achieving that goal, and there are consequences both positive and negative about achieving that goal, then you will get the right kind of behavior to achieve that goal. The old story goes that there are 2 guys in a fox-hole: one guy with the machine gun, one with the ammunition. Our job is to create fox-holes. A and B (referring to organizational counterparts) are very much in the same fox-hole”. Putting the company’s interest ahead of what may be perceived better for one legacy firm versus the other is a driver of cooperation as one partner does not attempt to dominate the other; “my counterpart and I are peers. We are very much equals. We met in a room and I think either one of us were cautious when we met, but quickly, developed a fair, honest relationship in serving the company’s interests”, a back-office function leader argues.

**Cultural intelligence**

In addition to the previous enabling conditions, we find that cultural intelligence (Earley & Mosakowski, 2004) defined as the ability to navigate in and out of different cultural systems (Bennett, 1986) eases merger execution. According to one of the French practice leaders, cross-border work experience enhances understanding of cultural differences: «those who work on a global scale are apt to deal with cultural differences because they have experienced them and their clients ask them to endorse differences», whereas lack of cross-border experience taxes understanding: «conversely, those who are focused on their domestic market have not been trained to embrace language and culture differences». Cross-culturally agile members are able to anticipate cultural difficulties linked with diverging interpretations of reality. Cultural agility facilitates cross-cultural interaction and legitimizes involvement in
international activities. Difficulties are reported in dealing with partners not sharing the same
cultural competence or displaying ethnocentric behavior: “sometimes I have difficulties with
North American partners that have not travelled too much abroad”. Reaching cultural
understanding takes time: “spending time to get to know each other is needed to understand
each other’s values”. Cross-border experience gives access to different cultural constructions;
it enables organizational members to exit their culture of origin to endorse new meanings. It
develops empathy, tolerance, open mind and non-judgmentalness. Subsequent cross-cultural
agility fosters understanding: culturally agile members are in a position to distance from the
issue under investigation and reconcile diverging attitudes.

Inhibitors of performance

However, there remain inhibitors of performance: for budgetary reasons, for which the crisis
is to blame, top management expresses the frustration that they have not been able to organize
a global merger meeting of partners and consultants. Consequently cross-fertilization of
practices has been delayed and some of the merger reengineering is taking longer to achieve.

More time is also needed to fully integrate some of the remaining back-office operations, on
account of legal and institutional barriers (Ghemawat, 2001): labor regulations, accounting
rules and language exceptions have made it difficult to fully merge some of the back-office
processes.

Additionally there are still some sources of resistance that have delayed integration in the
form of egos mixed with cultural ignorance and ethnocentrism: “there are some people who
feel that their way is the right way. They are slowing us down”…comments a US executive.

In summary, the merger has been institutionalized: the new name has been adopted and
common goals defined for the new entity. Formal structures, procedures and processes have
been implemented and the new organization has made headway in becoming a major player in
the consulting world.

It will however take longer to fully internalize the merger and share a common identity. The 3 global practices are now producing geographic and business synergies; the functional departments have achieved economies of scale and built operational synergies; the merged practice in the French office is getting off the ground.

The new entity must now reach out to those practices whose consultants are not feeling the magnitude of the new organizational scale. In line with intergroup contact theory (Pettigrew & Tropp, 2006), we argue that continued support of leadership, equal status, lasting cooperation and further internalization of common goals should bring about the shared knowledge system needed to sustain the development of the new organization.

CONCLUSION

We started out investigating cultural dynamics in post-merger integration through a multi-level, multi-dimensional case study. Organizational learning and intergroup contact theory allowed us to outline key cultural integration mechanisms and sociocultural drivers of performance: learning and bonding interventions foster mutual cultural understanding for cooperation to proceed under equal status and the endorsement of leadership.

Even if the knowledge perspective is particularly well-suited to the knowledge-intensive industry to which the organization under investigation pertains, the learning and bonding phase is deemed essential in delivering performance.

These findings are useful for both academics and practitioners; researching cross-cultural interaction advances understanding of the processes at work when one cultural system comes into contact with another cultural system. Attention shifts from an ethnocentric perspective, symbolized by the cultural distance paradigm, to a synergistic perspective resulting from beneficial contact between cultures.
These findings may be useful for practitioners as they show how and under what conditions organizational members with different cultural assumptions build common solutions to organizational challenges.

In capturing the relevance of addressing cultural dynamics in cross-border M&A integration, this paper raises awareness of the dangers of ignoring cultural issues. Deep understanding of cultural differences is required to leverage cultural encounters.

We draw attention to the complexity of managing multiple cultures and subcultures, not only national but also organizational and professional and emphasize the need for boundary spanners, i.e. individuals that are able to navigate in and out of cultural systems.

Even if the limitations of this research reside in the non-generalizability of the findings derived from a single case study, this paper nevertheless evidences that the influence of culture on performance is moderated by the way combining organizations organize the cultural exchange, from initial perceptions and cultural representations to the construction of shared meanings and identity.

From a general managerial and academic perspective, this research calls for a greater recognition of the role of culture in cross-border M&A integration.

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