Christine Coisne - Edhec Business School – christine.coisne@edhec.edu

Managing cultural dynamics for performance: reshaping a large consulting company after a merger

Introduction

Cross-border mergers and acquisitions have been a common form of inorganic growth, suitable for reaching international markets, finding new profitability sources and making economies of scale in joining forces. Some 289,254 deals were completed in the first ten years of the 21st century at a combined cost of approximately US$19 trillion. At 2010 levels, more than 3 times the annual GDP of China was spent on M&A, reflecting the large-scale, frenzied activity of combining businesses around economies of scale and expanded market base. In spite of this growth potential, numerous cross-border M&A have reported failure, blaming cultural differences for hampering performance: 60% to 80% of all deals do not deliver expected results and fail in creating value for the newly combined entity (Mc Carthy & Dolfsma, 2013).

Research on the influence of culture on M&A performance is incomplete (Stahl & Voigt, 2004, 2008): for the past 30 years it has adhered to the cultural distance paradigm which has produced inconclusive findings and disregarded cultural dynamics (Teerikangas & Very, 2006). Cross-border M&A, through the combination of cultural systems incorporating national and organizational cultures, provide an exciting research field for leveraging cultural dynamics in organizations. Two cultural communities are brought together who share different frames of reference and work practices. If not relevantly addressed, the combination process may not turn the potential threats of cultural confrontation into the achievement of effective cooperation.

This exploratory study delves into the cultural dynamics of cross-border merger integration and examines how the cultural exchange shapes the new organization. In evidencing cultural integration mechanisms and influential forces shaping merger integration, this inquiry from the inside shows that it is not cultural differences per se that influence merger effectiveness but the way cultural differences are addressed and managed.

Section 1 reviews the literature on the influence of culture on M&A and draws from the organizational learning (Vermeulen & Barkema, 2001) and process (Haspelagh & Jemison, 1991; Birkinshaw et al, 2000) perspectives to delineate the management of cultural dynamics in integration. Section 2 delves into a merger between two French and American consulting companies and outlines interventions that enhance integration effectiveness; the benefits of cross-border combination are reaped through cultural integration mechanisms that are activated to shape the merged organization in spite of restraining forces.

Section 1 – Cultural dynamics in cross-border M&A: literature review

Cultural dynamics in cross-border M&A has been under-investigated as the cultural distance paradigm has dominated M&A research for the past 30 years (Stahl and Voigt, 2008).

The cultural distance hypothesis

Cultural distance, mostly in the form of an index compiled by Kogut and Singh (1988) from Hofstede's cultural dimensions**,** stipulates that difficulties increase as distance between cultures widens. The cultural distance hypothesis extends to studies of cultural fit and cultural compatibility which also compare culture differences to assess correspondence or similarity and includes the management style similarity construct which measures hierarchical distance or control. Therefore, the cultural distance paradigm is not limited to differences in national culture but also encompasses other cultural dimensions. A central assumption underlying cultural fit models is that the degree of similarity or compatibility between the cultures of the merging companies is a critical determinant of subsequent integration process and outcomes (Cartwright & Cooper, 1996; David & Singh, 1994): the 'cultural fit' theory (Weber et al, 1996) states that national/organizational cultures have to be similar or complementary to integrate successfully. On the other hand, this assumption is disconfirmed by studies which demonstrate that national cultural distance also enhances performance by providing access to the target and the acquirer's diverse set of routines and repertoires embedded in national culture (Morosini et al, 1998). Although the contribution of this stream of research has been substantial, its findings remain inconclusive (Teerikangas & Very, 2006; Stahl & Voigt, 2008): cultural distance either taxes performance (Buono and Bowditch, 1989; Weber et al, 1996) or enhances it (Larsson and Risberg, 1998; Morosini et al., 1998). In addition, two main flaws should redirect researchers' attention. The first limitation lies in the assumption of distance as discordance which maintains the negative bias on which the concept rests and implicitly denies the fact that differences may lead to complementarities (Shimizyu et al., 2004; Larsson & Risberg, 1996). Assumptions of divergence have laid the focus on what sets cultures apart but not on what might bring them together. By assuming that two cultures are necessarily different, researchers have looked for differences and overlooked commonalities. The dominant view in cross-cultural management has thus viewed cultural differences as inherent obstacles that ultimately affect organizational behaviour adversely (Soderberg and Holden, 2002) and prevalently underlined differences and irregularities across borders. The idea that any kind of cultural difference is necessarily subversive to organizational performance is an oversimplification that has failed to take account of the synergetic interactions between different cultures. The second limitation deals precisely with cultural dynamics: in perpetuating the cultural distance assumption, most studies have focused on pre-merger cultural differences and their relationship with post-merger outcomes promoting a static view of culture (Shenkar et al, 2008). 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 et al, 1998), closing distance (Shenkar et al, 2001) or taking off the methodological and conceptual straightjacket of the cultural distance hypothesis (Shenkar et al, 2008) have drawn attention to. The cultural distance paradigm has assumed a direct relationship between cultural differences and performance and failed to consider moderating variables (Stahl & Voigt, 2008). Most investigations in this field have been deterministic, trying to measure the impact of cultural distance on performance and disregarded the dynamics of the cultural combination process. The interplay between the different levels of culture has been overlooked leading researchers to focus on either national or organizational culture. In the case when both national and organizational cultures have been considered, the level of analysis has excluded significant data, investigating management teams only or only considering the acquiring or acquired organization (Teerikangas & Very, 2006). Faced with the limitations of such static analysis, scholars have criticized the fragmented nature of research and issued calls for developing new perspectives on cross-cultural analysis (d'Iribarne, 1997; Primecz et al, 2009). Literature reviews (Schoenberg, 2000; Teerikangas & Very, 2006; Stahl & Voigt, 2005) have called for further research directed at the cultural dynamics of M&A. Until now, few empirical studies have been carried out (Tsui et al, 2007). In line with Shenkar et al (2001), we suggest replacing the cultural distance metaphor with that of friction: "how different one culture is from another has little meaning until those cultures are brought into contact" (Shenkar, 2001, p.527-28). An investigation into the dynamics of cross-cultural combinations which proceeds from the actions and perceptions of merging entities, embedded in different national and organizational cultures, in dealing with change, has long been necessitated: as Stahl and Voigt (2008) pointed out, it may not be cultural distance per se but the way cultural differences are managed and cultural boundaries are drawn that explain M&A success of failure.

The double-edged sword of culture

The reason why cross-cultural dynamics needs to be addressed is to be found in the essence of culture in interaction as cultural differences have been evidenced to "have the potential for both disruption and synergy" (Morosini et al, 1998, p. 529): disruption stems from social categorization mechanisms (Tajfel, 1974) in which in-groups differentiate themselves from out-groups whereas synergy is supported by information theory (Van Knippenberg & Shippers, 2007) which suggests that different groups benefit from enriched information sources and outlooks.

Culture has been blamed for exerting strong pressure on cultural dynamics: the way differences in culture foster or impede the creation of a new culture and corporate identity after a merger (Larsson & Lubatkin, 2001) or the effective transfer of capabilities, resource sharing and learning (Bjorkman et al. 2007) are questions of utmost importance in M&A integration. Scholars have shown that cultural differences are associated with lower commitment and cooperation of the acquired employees (Buono, Bowditch & Lewis, 1985; Sales & Mirvis, 1984) and may also result in diminished relative standing and increased turnover among acquired executives (Hambrick & Cannella, 1993). Studies confirm that difficulties increase when the two firms are located in different national settings (Barkema et al, 1997; Weber, Shenkar & Raveh, 1996) and academics agree that culture "clashes" are likely to be more profound in cross-national mergers because they bring together two firms whose organizational cultures are rooted in different national cultures (Schneider & De Meyer, 1991).

On the other hand, cultural differences can be a source of value creation and learning: this view is largely based on the assumption that differences rather than similarities between merging organizations create opportunities for synergies (Shimizyu et al., 2004). Researchers adopting this perspective emphasize the potential benefits of cultural differences in M&A: Barkema & Vermeulen (1998) and Vermeulen & Barkema (2001) argue that differences in cultures and systems may help acquiring firms break rigidities and decrease inertia, develop richer knowledge structures and foster innovation and learning. In emphasizing the benefits of learning from diversity, scholars insist that operating in diverse circumstances increases the variety of events to which a firm is exposed leading to a more extensive knowledge base and stronger technological capabilities, that learning different ways of doing things fosters innovation, that CEOs of internationally diversified firms have richer knowledge structure than CEOs of domestic firms (Calori, Johnson & Sarnin, 1994), that greater diversity in the knowledge of managers and other workers aggregates to richer knowledge structures at the level of the firm and stronger technological capabilities. In other words, the double-edged sword of culture in M&A may lead to cultural clashes and tensions causing irreversible problems and unsatisfactory performance (Haspelagh & Jemison, 1991), but can also enrich corporate knowledge bases and break organizational rigidities (Vermeulen & Barkema, 2001). These implications have been studied and corroborated by two contrasting perspectives: social identity and the self-categorization perspective on the one hand (Tajfel, 1974; Tajfel & Turner, 1986), information-processing and the decision-making perspective on the other hand (Barkema & Vermeulen, 1998; Vermeulen & Barkema, 2001). Cultural confrontation is supported by social identity theory (Tajfel, 1974) which explains most of the negative tensions occurring in M&A. In a combination process, social groups unconsciously identify themselves in opposition to others, thereby illustrating the 'us versus them' attitude which negatively impacts relationships. Under conditions of threat and when the out-group is perceived to be very different from the in-group (Stahl & Mendenhall, 2006; Elsass and Veiga, 1994), increased cohesiveness and resistance is displayed (Stahl and Sitkin, 2005). In mergers and acquisitions**,** Social Identity Theory (Tajfel, 1974) suggests that cultural differences explain many of the cultural strains experienced by organizations: stress and negative attitudes (Nahavandi & Malekzadeh, 1988; Weber et al, 1996), lower commitment and cooperation (Schweiger & Weber, 1992) and high turnover of top management teams (Lubatkin et al, 1998). Social Identity Theory highlights the constructed nature of sociocultural perceptions in a merger situation: organization members, while emphasizing their own positive distinctiveness, will tend to exaggerate the differences between their own and the merger partner's culture. Conversely, information theory (Van Knippenberg and Shippers, 2007) substantiates the positive outcomes derived from cultural diversity. It suggests that diverse groups benefit from enriched information sources and outlooks, combined resources and synergistic outcomes. A cross-border M&A gives access to different routines and repertoires embedded in a national culture which have the potential to enhance the combined firm's competitive advantage. The information-processing perspective highlights the tendency for culturally heterogeneous teams to generate superior performance thanks to a larger pool of skills, knowledge, viewpoints from which the organization can learn. Because of learning opportunities and access to specialized knowledge, cultural differences positively influence post-merger performance. Exploration of new resources and capabilities lead to new ways of doing business. These studies support the thesis that cultural differences can be a source of value creation and learning on the assumption that differences - rather than similarities - between merging organizations create opportunities for synergies.

Firms that can draw on the diverse experience of their multicultural workforce can sooner achieve greater decentralization and empowerment at the local level. Morosini, Shane &

Singh (1998) and Gertsen & Soderberg (1998) argue that managers involved in transnational M&A are often forced to reflect on their own cultural meanings and relate them to the organizational practices developed in a certain context. Interconnecting these meanings and practices with those of the other side can contribute to forging mutual cultural identification with the newly combined entity while achieving knowledge transfer.

In summary cultural differences can be a shelter against intrusion as well as a source of value creation and learning. Organizations who manage the tensions between restraining forces and driving forces of integration turn cultural threats into mutual benefits (Blanchot, 2008). In order to generate performance, the new organization must counterbalance the negative and the positive implications of culture and handle culture effectively. Judicious handling of cultural differences can lead to competitive advantage and organizational health (Soderberg et al, 2000) whereas failing to address cultural differences may involve disorder. The acculturation perspective applied to M&A integration suggests that success hinges on the dynamic processes by which the combining parties resolve the conflicts that arise as a result of their contact (Nahavandi and Malekzadeh, 1988) and that the transfer of knowledge depends on the establishment of a cooperative relationship (Larsson and Lubatkin, 2001). Studies into double-layer acculturation of organizations indicate that problems related to differences in organizational cultures are compounded further by national culture differences (Stahl & Voigt, 2005). Transnational organizations must be able to resolve the following tensions to their advantage: how to leverage the creativity and knowledge potential of a larger talent pool while avoiding or minimizing social conflict and employee resistance? These challenges are dual in double-layer acculturation whereby interaction develops between two entities rooted in different national and organizational cultures.

Double-layer acculturation

Traditional acculturation models (Nahavandi & Malekzadeh, 1988) are rooted in a functionalist understanding of culture as a relatively stable system of values, norms and beliefs. They highlight the potential for cultural clash and the need to carry out initial cultural analysis. In an inquiry into the influence of national and organizational culture on international acquisitions, Vaara, Sarala, Stahl and Bjorkman (2010) show that cultural differences at the organizational level are positively associated with social conflict while cultural differences at the national level are negatively associated with social conflict. They also demonstrate that cultural differences at both the organizational and national level are positively associated with knowledge transfer, suggesting that national culture differences may be less of an overall problem than anticipated. Investigating transnational acquisitions as well, Reus & Lamont (2009) find that cultural differences impede understandability of key capabilities and constrain communication, bringing about a negative indirect effect on acquisition performance. On the other hand, they show that cultural differences also enrich acquisitions by enhancing the positive effects of understandability and communication on performance. Both investigations take their roots in the cultural distance paradigm while outlining the importance of integration capabilities: acquirers that can overcome the harmful effects of cultural differences appear to secure significant performance gains.

Acculturation viewed by Larsson (1990), Larsson & Lubatkin (2001) or Kleppesto (1998) highlights the potential for synergistic benefits and the constructed view of culture. Larsson (1990) views acculturation as “the development of jointly shared meanings fostering cooperation between the joining firms”. Similarly, Larsson and Lubatkin (2001) view acculturation as an inherently cooperative process whereby the beliefs, assumptions, and values of two previously independent workforces form a jointly determined culture. Like Kleppesto (1998), many anthropologists regard culture as socially constructed, based or partly based on shared interpretation patterns: the reality of each person is built up of cultural constructions that are kept in place by mutual consent. Cultural patterns are thus the result of social processes, understood as ongoing activity that constantly creates, upholds and transforms realities. This perspective emphasizes communication and symbolization processes as pivotal mechanisms in the cultural exchange and sees culture as a dynamic and emergent phenomenon that comes alive in relation and in contrast to another culture (Gertsen, Soderberg and Torp, 1998). He also shows that instead of breaking down social categories or ignoring them, it is possible to interact across them if one understands them. Kleppesto thus insists that in order to work together, cultural members must understand each other’s cultural and social frames of reference and accept them. The conclusion that organizational actors are able to build common meanings for cooperation without getting rid of their original patterns of interpretation confirms that it is possible to leverage cultural differences and cross boundaries while at the same time keeping value patterns untouched: this construction process is more likely to resolve quests for identities which develop along the management of the integration processes. Organizational learning thus appears to play a pivotal role in the construction of identities.

Without under assessing the difficulty of combining organizations rooted in different national and organizational settings, these studies point to the possibility of leveraging cultural differences. The issue of how a company holistically combines organizational and national culture differences to generate superior execution is critical (Morosini, 2005) as influential authors (d'Iribarne, 1997; Laurent, 1986) insist that each organization operates in different national environments with different political, economic, social, legal, technological and environmental features which in turn influence the way each organization prospers, develops and operates. Whereas adjustments between organizational cultures are likely to be formalized in terms of work processes, structure and management roles, fine-tuning between national culture differences is not easily formalized.

Culture as knowledge systems

Undermining the negative effects of antagonistic identity-building through learning is a promising path. In assimilating cultures to knowledge systems, Morosini (2005) identifies two types of knowledge: objective and subjective. Objective knowledge refers to explicit processes, routines and procedures that can be written and demonstrated to be transmitted. These explicit processes find their roots in, subjective, implicit, experience-based processes, routines and repertoires as well as attitudes and values that are not easily identified and codified: they are usually not written and have to be explained to be transmitted. Subjective or implicit knowledge refers to some the processes, routines and repertoires which have proved successful in building and growing the company (Schein, 1985) and also reflects the national culture values and assumptions in which they are embedded. These values and underlying assumptions account for differences in practices and management processes such as planning, leading, organizing and controlling issues reflected in reporting, decision-making, recruiting or troubleshooting mechanisms. Subjective knowledge needs to be explored to avoid questioning the other culture's assumptions: it is a cognitive dimension based on subjective and experience-based understanding of multifaceted phenomena that is vital to business performance (Morosini, 2005). For learning to take place in cross-border M&A, both explicit and tacit knowledge must be transferred. Such knowledge resources need to be managed carefully in order to reach the intended synergies (Grotenhuis & Weggeman, 2002). An empirical study of 3 domestic M&A by Schweiger & Goulet (2002) shows that 'deep-level cultural learning', learning about both subjective and objective culture, enhances dialogue between the combining firms and minimizes the effects of information filtering. It points to the importance of bridging the cultural divide in the early stages of integration. Learning about each combining organization's implicit justifications, i.e. about subjective culture increases the acceptability of each partner's culture whereas 'surface-level cultural learning' or learning about objective culture only does not provide the shared understandings necessary for integrating firms to move beyond the trauma of acquisitions. Grant (1996) indicates that individuals may not be fully cognizant of their own organization's administrative practices that have become a matter of automatic routine. Therefore, to establish an environment capable of supporting the radical change associated with mergers or acquisitions, a process may be required in which both the acquiring and target firms learn about themselves as well as their partners. It is a knowledge exchange process that enables two different organizations to converge on a shared model of how an organization should work. Apprehending cultural dynamics through a knowledge exchange process enables the organization to defuse tensions. Cultural learning may therefore represent a pivotal mechanism for developing the shared understandings necessary to engage in the process of integrating two firms and minimize cultural confrontation. By bringing people together on a learning mode, the new organization shifts the focus from group categorization (as in social identity theory) to knowledge exchange (as in information theory). How identities evolve as organizations learn, that is how they mitigate ego defenses is an important management issue: organizations, like individuals, find implementing a major organizational change difficult. The development of an ability to deal with the anxieties and fears that change triggers is necessary to address the implementation of change management programs: the fostering of a learning organization suggests one beneficial way of dealing with the anxieties and fears that threaten identity.

Managing cultural integration

So far the process of managing national and organizational cultural differences as a mediator of the culture-performance relationship, i.e. the process of adapting one's management methods to leverage cultural differences, has received little attention in M&A literature.

Key integration capabilities

The process stream (Haspelagh & Jemison, 1991) highlights the critical role that the integration process plays in the actual combination of previously independent organizations: traditional factors used in predicting performance (strategic fit, payment method, acquisition premium paid) are useful only if the post-combination transition phase is effectively managed, an invariant in the M&A literature over the past thirty years (Cartwright and Schoenberg, 2006). In implementing the integration plan, the magnitude of handling two sub-processes has been outlined (Birkinshaw et al, 2000; Stahl & Voigt, 2008): the sociocultural process (or human integration) effectiveness is reflected in the extent to which employees express satisfaction towards the new combination; "obtaining the participation of the people" (Haspelagh & Jemison, 1991) involves considering human and social factors and the role social and cultural categorization plays in combinations. The organizational process (or task integration) effectiveness is reflected in the extent to which operational synergies are realized;

achieving capability transfer involves considering the organization of the new entity around structure, systems and procedures.

Research demonstrates that overall effective integration is an interactive process that requires both sociocultural and task integration efforts: it has been shown that poor socio-cultural integration often blocks successful task integration and task integration cannot be realized if success with sociocultural integration has not been achieved (Birkinshaw et al, 2000). Integration capabilities have to be secured during execution to ensure that potential synergies are realized: the fact that management efficacy may outplay adverse combinational factors is a recurrent theme in M&A execution (Stahl & Mendenhall, 2005).

One of the keys to managing the integration process is “to obtain the participation of the people” and “to create an atmosphere that can support capability transfer is the real challenge” (Haspelagh & Jemison, 1991). Obtaining the participation of the people and creating the right atmosphere involves considering the 3 most critical activities in the integration plan (Stahl and Mendenhall, 2005): communication, talent retention and integration of cultures. Communication and talent retention are largely documented: cultural integration is more sporadically substantiated. Communication refers to the extent to which organization members from the combining firms correspond across firm boundaries (e.g., Larsson & Finkelstein, 1999) to explore and exploit resource synergies (Reus & Lamont, 2009). Early and clear communication reduces negative employee-level attitudes about the combination (Schweiger & De Nisi, 1991). Talent retention refers to the extent to which members of the combining organizations are retained. Several qualitative studies have emphasized the importance of retaining top management to generate performance and to transfer critical knowledge-based resources (Evans, Pucik & Barsoux, 2002). Integration of cultures refers to the extent to which members of the combining organizations trust one another and feel a common identity. Larsson and Lubatkin (2001) demonstrate that acculturation is best achieved through social controls: by participating in such activities as introduction programs, training, cross-visits, celebrations and other similar events that foster communication across boundaries, employees create, through their own choice, a joint culture regardless of differences in nationalities and cultures.

The success of a cross-border integration process requires an ability to address cultural conflicts and various human resource problems in acculturation while at the same time transferring knowledge and resources (Weber et al, 2012). Although most M&A failures are linked to problems in post-combination integration, some authors suggest that cultural and people issues should be considered at an early stage in the M&A process (Angwin, 2001). In the due diligence process, the assessment of organizational structure, organizational culture and HR systems is just as important as financial and strategic fit considerations. Undertaking a human capital audit to ensure that companies have the talent necessary to execute the acquisition strategy, identifying which individuals are key to sustaining the value of the deal and assessing any potential weaknesses in management are deemed to be critical to long-term success in both domestic and cross-border M&A. In cross-cultural combinations, the importance of the due diligence phase has been underlined: the complexity of managing multiple cultures calls for a thorough assessment of potential opportunities and threats useful in the definition of a cultural end state (Marks & Mirvis, 2011).

We thus view cross-cultural integration capability as a formalized approach endorsing cultural differences in dealing with people issues. Such a capability has not been extensively investigated in the literature. Our formalization of cultural integration endorses cultural differences into the preparation, design, implementation and control phases. It builds on Blanchot's (2008) enriched management approach in the context of international alliances which consists in minimizing the restraining forces of integration (ambiguity, conflict, confusion, group categorization) and maximizing the driving forces of integration (creativity, flexibility, openness, curiosity). In our view, managers may overcome the threats of social and cultural integration (salient identities, cultural distance) by taking advantage of valuable capabilities, resources and learning opportunities generated by knowledge exchange. These orientations suggest that cultural differences can be an asset or a liability depending on the way they are managed (Blanchot, 2008; Stahl & Voigt, 2008).

Studies on cultural dynamics do not usually refer to a formalized cross-cultural management approach. Instead they argue that it is the processes of mutual understanding, adaptation and constructive interaction that ultimately delineate a 'hybrid culture' or 'negotiated culture'. Recent research investigating culture in international organizations shows that effectively managed change processes can produce negotiated cultures (Brannen & Salk, 2000) that facilitate cooperation and sustained performance. Investigating the cultural dynamics within a German-Japanese joint venture, Brannen and Salk (2000) probe into how organizational culture is shaped and propose the construct of "negotiated organizational culture" where "given culture A and B, the negotiated culture outcome will neither be A nor B nor AB, but some other outcome more like a mutation containing parts of both parents as well as some aspects of its idiosyncratic making". According to Shimoni (2011), the combination of distant cultures creates new ones through irreversible idiosyncratic processes that are called "cultural hybridizations" (Shimoni, 2011, p.157). In the study of a merger between the French and

German branches of the ARTE television channel, Barmeyer & Davoine (2013) show the emergence of a third culture resulting from a collective learning and negotiation process.

Cross-cultural integration capability

Some studies also outline a more formalized approach in relation to learning. In the case of multicultural project teams (Chevrier, 2003), a cultural moderator actively engages with the team to build shared understandings through cross-cultural learning and avoid defense behaviors along negative stereotypes. In this context, the cultural mediator identifies cultural dilemmas and conflicts, tackles cultural overlaps and brings about a negotiated approach that fosters acceptance. The cross-cultural knowledge management perspective proposed by Holden (2001) also illustrates this cultural learning orientation. According to his view, there are three critical elements in this process: people must work in teams to establish common meaning and achieve alignment (there must be contact and cooperation). Organizational members must have the capacity to absorb what is communicated to them , which requires both teamwork and negotiation competencies. A permanent cross-cultural manager must be appointed, whose task is to repeatedly bring people together to continually update experience and follow up on it. Holden's insists that the management of cultural differences is less important than the creation of environments, structures and procedures which can facilitate cross-cultural learning and knowledge sharing. Cross-cultural learning is presented as instrumental in building cultural awareness: it is the first step involved in addressing cultural differences if cross-cultural competence has not been exercised. Cross-cultural learning is formalized by the integration manager or cultural mediator who initiates a cultural learning mode aimed at understanding cultural differences.

In line with the knowledge perspective on culture, a number of scholars insist on the benefits of cultural learning to combat the natural tendency for merged groups' antagonism and build shared understandings among people from different cultures. Knowledge of one's culture and the partner's culture is presented as a critical element of the integration process. Self-knowledge is part of the broader learning perspective on organizations and triggers a potentially virtuous learning cycle. A company that knows itself well and that knows its culture is better equipped to manage integration: it is aware of its management processes, its strengths and weaknesses, its capabilities and functional limitations, its core and peripheral values. Knowledge is acquired through a mutual, collaborative learning process. The cross-cultural knowledge stream may be the solution to the long-lasting controversy on culture: moving from "a hierarchical perspective of cultural influence, compromise and adaptation, to one of collaborative cross-cultural learning" (Adler & Bartholomew, 1992). Consistent with the organizational learning perspective in M&A (Vermeulen & Barkema, 2001), we assume that integration is contingent upon learning to build shared understandings of how the organizations function (objective knowledge) and why they function the way they do (subjective knowledge). This approach may apply to both domestic and international M&A but it is more sophisticated in the case of an international rapprochement whereby the shared understanding of objective and subjective culture may take more time and efforts to drive the dynamic construction of a new sociocultural identity (Morosini, 2005). Once former employees of combining organizations have bridged cultural boundaries through mutual understanding, they can start sharing a new identity and are more likely to express satisfaction and trust towards the combined organization (Vaara et al, 2010).. When common or congruent understandings are developed, cooperation is facilitated and generates shared value creation (Vlaar et al. 2006). Knowledge transfer and resource sharing are facilitated and effective task integration translates into operational synergies and shorter time spans (Reus & Lamont, 2009). In managing learning, an organization's task is to understand and mitigate ego defenses: managing learning triggers self-reflexivity and advances critical reflection on individual and organizational identity. We suggest that cross-cultural dynamics building on culture as knowledge systems enhances mutual learning experiences that generate trust: they reduce anxiety in getting to know the other and minimize the adverse effects of the 'us versus them' factions, thus contributing to the building of a new identity. Cross-cultural integration managers should remember that organizational members are more likely to engage in knowledge transfer activities if they trust organizational members of the other firm. Trust is pictured as the outcome of cooperation based on shared meanings (Stahl & Sitkin, 2005). By definition, cross-cultural learning mechanisms involve cross-cultural contact. For cross-cultural learning to take place, people must work in teams to establish and perpetuate common meaning for alignment: face-to-face teamwork is particularly helpful in this regard because it reduces noise and ambiguities related to the knowledge integration process (Holden, 2001). Cross-cultural learning interventions accelerate acceptance of change, willingness to cooperate and open communication. We put forward the general assumption that a cross-cultural integration approach which takes its roots in cross-cultural learning interventions sets a process of cultural construction in motion. In line with Holden (2001) we define cross-cultural integration capability as the 'art' of being able to access localized varieties of common knowledge, and to combine them into a meaningful whole. As noted by Buono, Bowditch and Lewis (1985): "since subjective culture evolves over time as a product of shared experience, when attempting to merge two firms, the greater the number of these shared experiences, the faster a repertoire of symbols and shared meanings will develop with which the merged group of members can begin to identify, and a new culture can begin to take hold”.

Academics (Stahl and Voigt, 2008) have highlighted the use of socio-cultural integration mechanisms such as cross-functional teams, cross-unit teams, participation in joint training programs, personnel rotation, short-term visits, task forces and committees in order to facilitate the development of common values and the building of trust (Bjorkman et al., 2007; Larsson and Lubatkin, 2001; Morosini, 2005). It has also been shown that bonding interventions lessen cross-cultural work alienation (Brannen & Peterson, 2009) and ease cooperation. However, scholars have not necessarily outlined a cultural learning foundation for these mechanisms. We bring together the knowledge perspective on culture and socio-cultural integration mechanisms to suggest a framework for the development of an effective cross-border integration process. In line with Nonaka & Takeuchi (1995), we insist on the use of learning and bonding mechanisms and argue that effective organizational and sociocultural integration are contingent on mutually reinforcing practices to foster learning and bonding in international combinations. We put forward a general assumption that cross-cultural integration management consists in providing an “enabling infrastructure” (Mitleton-Kelly, 2006) based on formalized socio-cultural and organizational conditions. The provision of structures, rules, procedures and processes based on careful consideration of cultural differences organizes interaction between participants and enables them to make sense of their new partners and the context in which interaction is taking place. The purpose is to build unity between the two former organizations and to strive for coherence and convergence in the achievement of the objectives set for the newly formed entity.

Effective sociocultural integration translates into employee satisfaction through developing constructive employee attitudes, building a new identity, establishing trust and two-way communication. Effective organizational integration translates into operational synergies and shorter time spans as a result of achieving transfer of capabilities and resource sharing. We draw the characteristics of effective integration from the literature: resource-sharing and knowledge transfer in integrating tasks (Reus & Lamont, 2008), shared identity and employee satisfaction in integrating cultural systems (Vaara et al, 2010). The building-blocks of integration effectiveness are in line with a commonly accepted definition of performance (Zollo & Meier, 2008): operations and systems are effectively aligned for knowledge transfer and human resources are effectively integrated. Shared identity and positive attitudes have a positive impact on existing customers and customers are retained.

In summary, learning and bonding mechanisms enable integration managers to create an environment that promotes understanding and cooperation to create value for the organization. Effective acculturation dynamics based on organizational learning and sociocultural integration mechanisms contrasts with compatibility and fit concerns that generate largely unconscious cloning processes reinforcing cultural boundaries. Building bridges over splits and translating diverging views into constructive dissimilarities is the challenge that combining organizations have to take up.

Section 2 – Managing cultural dynamics for performance: an empirical study

In order to meet the requirements of an in-depth understanding of the cross-cultural dynamics taking place in an M&A integration process, we conduct an exploratory study of a single case (Yin, 2003) from an interpretive stance. The case at stake offers a two-year-and-a-half integration sequence in which we investigate retrospective accounts of the merger process at different levels of hierarchy and in different functional spheres. Our investigation is therefore an ex-post study focusing on actors' sense-making categories and reconstruction of the merger progress. Through an analysis of the interactions between the merged top management team, the country and practice leaders and the functional division heads, we evidence cultural integration mechanisms and influential forces shaping merger integration. Cultural integration mechanisms are the means (*how*) by which actors build shared meanings for a new culture to begin to take hold. Influential forces shaping merger integration are a set of enabling conditions (*why*) that facilitate the construction of a mutually acceptable sense of reality. Once actors share understandings, new conventions develop that build the foundation for a new identity.

Methodology and case study

Our epistemological stance is embedded in our research topic: investigating cross-cultural dynamics implies understanding how different cultures, that is to say, different interpretations of a social reality rooted in different national and organizational contexts interact in the construction of a new entity. Interpretive research focuses on the complexity of meaning in context that the researcher addresses through an abductive process: emerging conceptual frames of reference are confronted with existing conceptual frames in going back and forth between empirical findings and literature.

Our qualitative methodological stance is justified by the need to gather thick, contextual data to understand cross-cultural interaction. The choice of a single case study perfectly fits our research question and the limited amount of previous studies of cross-cultural dynamics:

understanding *how* organizational actors conduct an integration process and *why* their endeavors are successful or not are the interrogations raised in our investigation (Yin, 2003). We explore, describe and explain an integration process in depth and comply with a holistic perspective needed to understand the intricacies of the process.

The case study under investigation is that of a merger between two management consulting firms, a French firm and an American firm, with different areas of expertise except one major practice. Both management consulting firms belong to the same organization which is a holding company based in the UK. The new organization is a large consulting firm totaling 1400 staff and operates across 13 countries and 4 continents. The merger takes place at the beginning of 2011.

The merger makes sense for several reasons:

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

However there remain differences between the 2 firms: one is pictured as a *generalist* with 11 practices; the other is pictured as a *specialist* with 1 prevailing practice and 2 other fields of expertise. The new management team is very well aware of the challenges raised by combining two organizational and human systems with different national and organizational cultures and ready to take them up. Anticipated synergies are economies of scale, broader geographic scope and combined client base. After the official merger announcement, the new organization chooses a name and shows a united front to the outside world. A new top management team is formed with an equal number of US/French representatives; back-office functions merge; teams continue operating from their geographical base with the exception of one practice which physically brings together two teams of consultants.

Our case study mainly relies on semi-structured in-depth interviews with key respondents. Our key respondents are current or former management consultants: the management teams (top management and global leadership) are made of former consultants who climbed up the corporate ladder; the back-office functions are also managed by former consultants. We therefore have a homogeneous sample of population with similar educational background and experience whose added value and utility reside in the intellectual resources and expertise brought to clients. It is complemented with access to corporate literature bringing extensive, contextual data and external documentation about industry specificities.

In order to reach an in-depth understanding of cross-cultural dynamics, we have included three types of respondents in our sample: the members of the merged Top Management Team

(TMT), the country and practice leaders making up the Global Leadership Team (GLT) who assists the top management team and the managers of the Back Office Functions who report to the Global Leadership Team (Marketing, Information Technology, Human Resources and Knowledge Management) on a one-to-one basis: one French member and one US member were interviewed in each group of respondents but one as the Knowledge Management Department had merged one month after the official merger announcement. We also included three key respondents from the merged practice in France to deepen our analysis of business operations combination. Our sample gathers the main actors of cross-cultural integration. The top management team led the integration process which was implemented by the Global Leadership Team who supervised the back-office combination process. We conducted 19 semi-structured in-depth interviews lasting between 45 and 90 minutes which enabled us to reach semantic saturation: although English is the official language of the company, every respondent was invited to express themselves in their mother tongue.

Data collection took place 2 years and a half after the merger was officially announced as all interviews were conducted between April and June 2013. We recorded and transcribed all 19 interviews. Then we proceeded to thematic coding using N'Vivo software analysis to code our data according to our research questions, going back and forth between literature and empirical findings to enrich our coding. We organized our data along our 2 main topics across the three categories of respondents: how actors embedded in different national and organizational cultures at different levels of decision-making and implementation conduct a cultural integration process (1) and what are the cultural drivers and inhibitors of integration (2). Through the regularities and converging interpretations derived from the coding process across the three categories of respondents, we were able to identify 4 categories of cultural integration mechanisms following a similar methodology and isolate a set of cultural drivers of post-merger integration.

Furthermore, the case is in line with some major methodological concerns. In order to triangulate observations (Yin, 2003), we used an embedded design and studied the same phenomenon from different perspectives inside the organization, decision-makers from the two merging organizations, implementers from the two merging organizations, implementers with business backgrounds, driving operations and implementers with functional backgrounds supporting business operations. We were able to complement this analysis with interviews conducted with external respondents (a marketing specialist and a former communications officer who had contributed to the initial integration phase) and with outside cross-border merger integration experts who confirmed the validity of our findings across different cases addressed in their recent experience. Corporate literature and press 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.

Results and discussion

Our study outlines cultural integration mechanisms and driving and impeding forces of integration and corroborates the link between the two complementary and interdependent sub-processes of integration (Birkinshaw et al, 2000). Effective organizational integration is contingent upon smooth sociocultural integration which is activated by mutual learning.

Cultural integration mechanisms

Mutual learning is the underlying theme for knowledge transfer. We identify bonding and learning interventions (Nonaka and Takeuchi, 1995) as enhancing the cross-cultural sharing of knowledge in the first phase of integration and leveraging the potentially negative outcomes of cultural confrontation. The process is the same across back-office 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. The process is similar for other back-office functions: the IT department meets in the USA where the French head has moved with his family to attend to the knowledge transfer phase, 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 (figure 1):

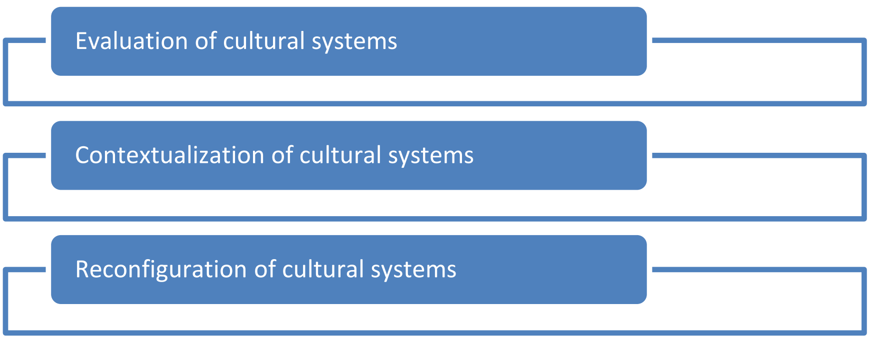

Figure 1- Reconfiguring cultural systems

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).

Because subjective knowledge needs to be explored to avoid questioning the other culture's practices, the need for a cultural learning phase is imperative (Morosini, 2005). 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. They refer to recent developments in research which outline a convergence of models for cultural integration. We summarize the convergence areas between the models outlined in literature in the following table (table 1) and include our findings:

In our study of the integration process, merger execution combines 4 options:

1) 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;
2) 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;
3) Combination: common, hybrid or mixed solutions are implemented, which again applies to some IT and HR processes;
4) Transformation**:** the 2 models are transformed into a better one as in the case of KM.

5) Scenarios	Two legacy cultures coexist (1)	One legacy culture is preferred (2)	Two legacy cultures are combined (3)	Two legacy cultures are transformed
Cultural end-states (Marks & Mirvis, 2011)	Pluralism	Assimilation	Integration	Transformation

Categories of negotiated culture (Brannen & Salk, 2000)	Division of labor	Compromise	Meeting in the middle	Innovation
Cultural integration Mechanisms (our research)	Separation	Best of both worlds	Combination	Transformation

Table 1: Cultural integration scenarios

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 undergoes 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.

Driving forces in reshaping the organization

Since our underlying theme is to better understand the link between culture and performance, cultural integration mechanisms are assessed against integration effectiveness. Integration effectiveness is evaluated out of the criteria outlined in our literature review: knowledge transfer and resource sharing for organizational integration and shared identity and positive attitudes for sociocultural integration (Stahl & Voigt, 2008).

Three types of synergies are inventoried: cross-border, cross-practice and cross-functional synergies. Cross-border and cross-practice synergies are triggered by formal and informal interventions. After 2 years and a half, we evidence that effective integration, expressed as knowledge transfer, resource sharing, the feeling of a new identity and positive attitudes, creates value for the merged organization: interrelated business and branding synergies have resulted from formal and informal transfer of knowledge, which evidences the multiple channels through which cultural dynamics may operate (Larsson & Lubatkin, 2001). Business synergies are reported to have been generated in the areas of business that have been combined as well as in back-office functions. Most integration objectives have been reached. Talent retention has additionally been achieved because of complementarities and limited overlap.

Business synergies have resulted from the globalization of three practices through knowledge cross-fertilization serving business needs: new business opportunities have been seized, knowledge has been combined and cooperation on large-scale projects has intensified. The potentially adverse effects of initial resistance and us versus them attitudes (Tajfel, 1974; Tajfel and Turner, 1982) have eventually been counterbalanced by mutual benefits. Economies of scale have been made in back-office functions through resource combination rather than elimination, and explain why downsizing has been limited. Economies of scale have been engineered by redeploying cross-border teams, providing inventive solutions instead of reducing headcount: teams have been redesigned to generate mutual cost benefits, a counter-intuitive phenomenon that sheds new light on issues of cost-effectiveness in international mergers. For instance, cooperation between IT departments has enabled the new entity to make substantial cost savings in exploiting the knowledge capabilities of the global team. Instead of outsourcing IT tasks, the French branch is now able to leverage US internal capabilities. These creative solutions in meeting business and users' needs combine economies of scale with quality of service and value creation has been engendered by savings made on overheads, premises and back-office functions in all countries and practices.

In sharing resources, executives acknowledge that they have been careful enough to take into consideration both legacies and focus on the effective solutions born from the assessment and combination of the better practices. We find that organizational synergies result in mutual wins when changes are effected in both directions. In summary, business synergies are the outcome of effective organizational and sociocultural integration: two-way knowledge combination and cross-fertilization, mindful cooperation and creative solutions have resulted from formal and informal interactions taking into account both legacies and effecting changes in both directions.

In addition to business synergies, value has been derived from moving the new organization upwards between the strategy and the management consultancy business lines. Uspcale positioning has translated into increased business: the new name has generated more business and contributed to the better health of the company both in Europe and the USA. For the former US entity, the new name facilitates acceptance of change. For the former French entity, the new name defines the contours of the new international identity of the company and symbolizes global reach. It is a win-win situation since the US entity has not had to manage a change in name and the French entity has a new story to tell.

Bonding and learning interventions contribute to building a new identity and reinforcing trust. They are supported by a number of enabling conditions or influential forces shaping integration. Equal status between the groups involved strengthens the construction of a new organization: in spite of former imbalance in numbers between entities, there is equality of representation in all integration structures (top management team, global leadership team, back-office integration teams). Balance of power is a driver of cross-cultural dynamics (Pettigrew, 1998) together with common goals and support of authority (Allport, 1954). The translation of the vision into common goals and the endorsement of these goals by organizational actors are reinforced by support of authority. Top management sponsorship and empowerment are evidenced to ease cultural dynamics. Our study also outlines the paramount importance of cultural proficiency (Early & Mosakowski, 2004) in cross-border combinations: individuals who are able to navigate in and out of cultural systems speed up the implementation of learning and bonding mechanisms and foster the necessary understanding to generate synergies.

Impeding forces of integration

Synergies have to be weighed in relation to the decisions made in terms of organizational design. One of the biggest stumbling-blocks in integration is the choice of an organizational structure for the new entity to converge the two business models. The decision has been made to have a matrix organization and concentrates the adverse effects of keeping the 2 legacies coexisting. We find that the matrix structure perpetuates dual identity and hampers the building of a new identity: such structural impediments accentuate us-versus-them attitudes and weaken the creation of a new identity. Whereas the former French organization stimulates growth, the former US organization promotes profitability. These business models support different go-to-market models: one vertical relying on a global focus one horizontal, based on a country focus. The new organizational design is justified by the need to avoid disrupting business operations. However the matrix structure seems to impair business operations more than it enhances it. The matrix organization is the subject of continuous conflict and tensions among top management executives: it reinforces business partitioning and hampers cooperation. Tensions and frictions reflect the “us-versus-them” attitude that is perpetuated by the matrix structure and suggest that go-to-market models need to be upgraded if improvements are to be made. If the management wants to achieve a single identity, it will have to make a decision on overcoming fragmentation. We consequently ascertain that building a new identity takes time. Our analysis points to the double-layer identity felt at the time of the study: there is a corporate identity through single branding, a common name and corporate governance (institutionalized identity) and then there is the felt (or internalized) identity. "It takes time to go from institutionalization for internalization", says a top executive who insists on having the right kind of Human Resource Management (HRM) metrics. One needs to take into consideration people's personal and professional motivations to match institutionalization with internalization. Different individual motivations and organizational justifications coexist in the new organization: individual versus collective achievement expressed in individual bonuses versus collective growth. Self-fulfillment varies according to the different cultures and subcultures that have guided people's actions. Being able to adequately reward achievement is a major challenge in going from institutionalization to internalization of the merger: Our study shows that to be successful, integration must combine institutionalization and internalization processes. Institutionalization is the extent to which the new organization shows a united front to the outside world; it needs to be reinforced by merger internalization, the extent to which all members identify with the new entity.

The gap between merger institutionalization and internalization is indicative of the many difficulties that have been reported in previous accounts of M&A execution and lays the emphasis on wrongly assumed simplicity of execution and lack of formalization.

At the national level, legal, social and political conventions form the context in which managerial practices develop and are implemented (Calori, Lubatkin et al, 1997). Government regulations, labor management relations, and other factors embedded in the national context negatively affect the M&A process (Angwin, 2001; Child et al., 2001; Shimizu et al. 2004) in slowing down combination. In the case under investigation, they also compel functional teams to "agree to disagree". That is the reason why any cross-border integration process should start with the ability to understand country-specific biases and identify geographic, linguistic, economic or administrative barriers (Ghemawat, 2001).

Lack of cultural due diligence is evidenced and assimilated to a weakness in pre-planning and anticipation. Indeed, there has not been any cultural due diligence planned in the process; it is an analytical step that enables the organization to assess differences in operating modes and mindsets and anticipate potential synergies and difficulties. Likewise the lack of a team-building operation within the top management team is assimilated to the lack of a cultural understanding phase which accounts for the slower execution process. To avoid two companies being smashed together rather than integrated, a proper consultative phase should have been scheduled by the integration team. Skipping the consultative phase has far-reaching consequences as some synergies have happened by chance that could have remained unnoticed: In summary the consultation or learning and gauging phase is deemed of paramount importance for the success of integration execution: bonding and learning interventions have been activated at both management and operational levels. They have brought people together physically to initiate a mutual learning process: learning about objective (what is done) and subjective culture (why it is done). They have activated two-way communications and enabled organizational members to correspond across geographic and professional boundaries (Reus & Lamont, 2009) and set a construction process in motion.

Without under assessing the influence of culture on M&A integration, we point out that mastering change involves considering psychological factors and execution capabilities. Psychological factors incorporate motivational drivers that can positively or negatively influence change. Execution capabilities are needed for change implementation to enhance integration. The merger integration process has had to overcome psychological resistance: it points at the need to deal with role ambiguities early in the process. Role ambiguity arises when individuals focus on questions and concerns about what the M&A will mean for them personally. Role ambiguity in the initial merger phase soon vanishes as clarity of members' positions in the new structure is early achieved through voluntary departures and nominations of replacement positions.

Our study eventually highlights the importance of execution capabilities: pre-planning and consultation of all stakeholders are deemed necessary to execute the integration process and point at the need for relevant execution capabilities. We demonstrate that formalization of change management enables consulted merging parties to make sense of change. For that purpose, it needs to reach out to all countries and functions without disrupt business operations. Formalization must plan for execution and not just structuring: executing merger plans is a continuous, incremental process. Respondents insist that in formalizing change management processes, integration teams must pay attention to the extent, impact and direction of change. When executing integration, one must assess the extent of change needed: the larger the extent, the larger the impact of change and matching execution. Change is also better accepted when it is a two-way process and impacts the whole organization**.** We find that two-way change design and reciprocal impact facilitate acceptance of change. Effecting changes in both directions help convey a sense of mutual engagement that undermines social tensions and align people on common achievements. This sense of engagement and alignment is all the more obvious and pregnant when organizational members are empowered to bring about change.

Conclusion

Research has suggested that the results of moderator analyses may reveal that it is not cultural differences per se that create problems in M&As but "rather the way cultural boundaries are drawn and organizational integration is managed" (Stahl & Voigt, 2008). This paper has investigated the cultural dynamics of cross-border M&A integration with a view to delineating interventions that offset the negative implications of culture. Accordingly, bonding and learning interventions with other optimal conditions have been singled out as contributing to building a new identity (Morosini, 2005) in organizing the sharing of resources and the transfer of knowledge across the two organizations (Zollo & Meier, 2008).

Cross-cultural dynamics rests on learning about objective and subjective culture. Explicit and implicit meanings of culture are coalesced to reap the synergistic benefits of the combination.

Inhibitors of cultural integration incorporate execution capabilities as well as structural, psychological and institutional factors.

Lack of cross-cultural awareness is singled out as a major barrier as cross-cultural synergies are generated by boundary spanners who are able to navigate in and out of cultural systems. The issue of leveraging cultural differences in cross-border combinations draws attention to the paramount importance of cultural agility in international business. The challenge lies in "treating diversity as a resource rather than a threat that is essential for responding to the demands of a global economy" (Schneider & Barsoux, 1997, p. 156). Steering cross-cultural dynamics for performance implies leveraging cultural differences: organizations wanting to go global should embrace cultural diversity in management and work environments.

References

Adler, N.J. & Bartholomew, S. (1992) Managing globally competent people *Academy of Management Executive* 6, 3, 52-65

Allport G.W. (1954) The Nature of Prejudice, Cambridge, M.A., Addison-Wesley

Angwin D. (2001) Mergers and acquisitions across European borders: national perspectives on pre-acquisition due diligence and the use of professional advisers, *Journal of World Business,* 36: 32-57

Barkema, H.G. and Vermeulen, F (1998) International expansion through start-up or acquisition: a learning perspective, *Academy of Management Journal*, 41, 1, 7-26

Barmeyer C. & Davoine, E. (2013) Leveraging positive cultural dynamics in emergent working cultures in a bi-national organization - A French-German case –Paper presented at the 29th EGOS colloquium in Montreal

Birkinshaw, J., Bresman, H. and Hakanson, L. (2000) Managing the post-acquisition integration process: how the human integration and the task integration processes interact to foster value creation, *Journal of Management Studies,* 37, 3, 395-425

Bjorkman, I. , Stahl, G.K., Vaara, E. (2007) Cultural differences and capability transfer in cross-border acquisitions: The mediating roles of capability complementarity, absorptive capacity and social integration, *Journal of International Business Studies,* 38, 658-672
Blanchot, F. (2008) Gestion des Alliances Internationales Chapitre III-3 Dans Gestion en Contexte Interculturel : approches, problématiques, pratiques et plongées Sous la direction d'Eduardo Davel, Jean-Pierre Dupuis et Jean-François Chanlat Les Presses de l'Université Laval et Télé-Université (UQAM)
Brannen, M.Y. and Salk, J.E. (2000) Partnering across borders: negotiating organizational culture in a German-Japanese joint venture, *Human Relations,* 53 (4) 451-487
Brannen, M.Y. and Peterson, M.F. (2009) Merging without alienating: interventions promoting cross-cultural integration and their limitations *Journal of International Business Studies*, 40, 468-489
Bresman, H., Birkinshaw, J. and Nobel, R. (1999) Knowledge transfer in international acquisitions, *Journal of International Business Studies*, 30, 3, 439-462
Buono, A.F., Bowditch, J.L, and Lewis, J.W. (1985) When cultures collides: the anatomy of a merger, *Human relations*, 38, 5, 477-500
Buono, A.F. and Bowditch, J.L. (1989) The human side of mergers and acquisitions: managing collisions between people, cultures and organizations, San Francisco, CA – Jossey-Bass
Calori, R. Johnson, J & Sarnin, P. (1994) CEO's cognitive maps and the scope of the organization *Strategic Management Journal* 15 (6) 437-457
Cartwright, S. and Cooper, C.L. (1993) The role of cultural compatibility in successful organizational marriage, *The Academy of Management Executive*, 7, 2, 57-70
Cartwright, S. and Cooper, C.L. (1996) Managing Mergers, Acquisitions and Strategic Alliances: Integrating People and Cultures Butterworth-Heinemann, Oxford
Cartwright, S. and Schoenberg R. (2006) Thirty years of Mergers and Acquisitions Research: Recent Advances and Future Opportunities, *British Journal of Management* 17, 1-5
Chevrier, S. (2003) Cross-cultural management in multinational project groups, *Journal of World Business* 38: 141-149
David, K. and H. Singh (1994) 'Sources of Acquisition Cultural Risk' In: G. Von Krogh, A. Sinatra and H. Singh (eds), The Management of Corporate Acquisitions Macmillan,London.
D'Iribarne, P. (1997) 'The Usefulness of an Ethnographic Approach to the International Comparison of Organizations', *International Studies of Management and Organization* 26, 4, 30–47
Early & Mosakowski (2004) Cultural intelligence *Harvard Business Review* October issue 140-146
Early, C. and Mosakowski, E. (2000) Hybrid team cultures: an empirical test of transnational team functioning, *The Academy of Management Journal*, 43, 1, 26-49
Elsass P.M. & Veiga, J.F. (1994) Acculturation in acquired organizations; a forcefield perspective, *Human Relations*, 47, 4, 431-453
Evans P, Pucik V, Barsoux JL. 2002. *The Global Challenge: Frameworks for InternationaL Human Resource Management.* McGraw-Hill/Irwin: New York.
Gertsen, M. C., A-M. Soderberg and J. E. Torp (1998) Cultural Dimensions of International Mergers and Acquisitions.De Gruyter, Berlin.
Ghemawat (2001) Distance still matters *Harvard Business Review*
Grotenhuis, F. & Weggeman, M. (2002) Knowledge Management and International Mergers *Knowledge and Process Management* 9 (2) 83-89
Hambrick, D.C. and Cannella, A.A. (1993) Relative standing: a framework for understanding the departures of acquired executives Academy of Management Journal, 36, 4, 733-762
Haspelagh, P. and Jemison, D. (1991) Managing acquisitions: creating value through corporate renewal, New York: the Free Press
Holden, N. (2001) Knowledge management: raising the spectrum of the cross-cultural dimension, *Knowledge and Process Management Journal*, 8, 3, 155-163
King D.R., D.R. Dalton, C.M. Daily, J.G. Covin (2004) Meta-analyses of post-acquisition performance: indications of unidentified moderators, *Strategic Management Journal*, 25, 187-200
Kleppesto (1998) A quest for social identity- the pragmatics of communication in mergers and acquisitions, in Gertsen & Soderberg Cultural Dimensions of International Mergers and Acquisitions (1998) Walter de Gruyter Berlin-New York 1998

Kogut, B. & Singh, H (1988) The effect of national culture on the choice of entry mode, *Journal of International Business Studies*, 19, 411-432
Larsson, R. and Finkelstein, S. (1999) Integrating strategic, organizational and human resource perspectives on mergers and acquisitions: a case survey of synergy realization, *Organization Science*, 10, 1-26
Larsson and Lubatkin (2001) Achieving acculturation in mergers and acquisitions: an international case study *Human Relations* 54, 12, 1573-1607
Larsson, R. and Risberg, A (1998*)* Cultural awareness and national vs corporate barriers to acculturation in Gertsen, M.C. Soderberg, A.M. and Torp, J.E. (eds)- Cultural dimensions of international mergers and acquisitions. Berlin: de Gruyter
Laurent, A. (1986) The cross-cultural puzzle of international human resource management *Human Resource Management*, 25,1, 91- 102
Mc Carthy, K and Dolfsma, W. (2013) Understanding mergers and acquisitions in the 21st century: a multidisciplinary approach, Palgrave MacMillan; Basingstoke
Marks, M.L. and Mirvis, P.H. (2011) A framework for the human resources role in managing culture in mergers and acquisitions *Human Resource Management*, 50, 6, 859-877
Mitleton-Kelly, E. (2006) Coevolutionary integration: the co-creation of a new organizational for following a merger and acquisition, *E:CO* 8, 2, 36-48
Morosini, P., Shane, S. and Singh, H. (1998) National cultural distance and cross border acquisition performance, *Journal of International Business Studies*, 29, 1, 137-158.
Morosini, P. (2005) The common glue: an alternative way of transcending differences to unleash competitive performance, Elsevier Ltd
Nahavandi, A. and Malekzadeh, R.A. (1988) Acculturation in mergers and acquisitions, *Academy of Management Review* 13, 1, 79-90
Nonaka, I., & Takeuchi, H. (1995) The knowledge creating company. New York: Oxford University Press
Olie, R. (1990) Culture and integration problems in international mergers and acquisitions, *European Management Journal*, 8, 206-14
Pettigrew, T. F. (1998). Intergroup contact theory *Annual Review of Psychology*, 49, 65-85.
Primecz, H., Romani, L and Sackmann, S.A. (2009) Cross-cultural management research: contributions from various paradigms, *International Journal of Cross-Cultural Management* 9(3) 267-274
Reus, T.H. and Lamont B.T. (2009) The double-edged sword of cultural distance in international acquisitions, *Journal of International Business Studies*, 40, 8, 1298-1316
Schein, E. (1985). Organisational Culture and Leadership – A Dynamic View. Jossey-Bass, London.
Schneider S.C. and Barsoux J.L. (2003) Managing across Cultures – Second Edition Prentice Hall
Schneider, S.C. & DeMeyer, A. 1991 Interpreting and responding to strategic issues: the impact of national culture *Strategic Management Journal*, 12, 4, 307-320
Schoenberg, R. (2000). *The Influence of Cultural Compatibility within Cross-Border Acquisitions: A Review* In: C. Cooper and A. Gregory (eds), Advances in Mergers and Acquisitions, 1, pp. 43–60. JAI Press, Amsterdam.
Schweiger, D.M. and DeNisi, A.S. (1991) Communication with Employees following a Merger: A Longitudinal Field Experiment The Academy of Management Journal, Vol. 34 (1), pp. 110-135
Schweiger, D.M. and Weber, Y, (1989)Strategies for managing human resources during mergers and acquisitions: an empirical investigation *Human Resource Planning*, 12, 2
Schweiger, D.M. and Goulet, P.K. (2002) Explaining acquisition integration effectiveness through deep-level cultural learning interventions: a longitudinal field experiment, *Organization Studies*, 26, 1477-1499
Shenkar, O (2001) Cultural distance revisited: towards a more rigorous conceptualization and measurement of cultural differences'. *Journal of International Business Studies*, 32, 519–35
Shenkar, O., Luo, Y. and Yeheskel, O. (2008) From distance to friction: substituting metaphors and redirecting intercultural research *Academy of Management Review* 33(4) 905-923
Shimizu, K., Hitt, M.A. Vaidyanath, D. & Pisano, V. (2004) Theoretical foundations of cross-border mergers and acquisitions : a review of current research and recommendations for the future, *Journal of International Management*, 10, 307-353

Shimoni, B. (2011) The representation of cultures in international and cross-cultural management: Hybridizations of management cultures in Thailand and Israel, *Journal of International Management* 17, 1, 30-41
Soderberg, A.M. and Holden, N. (2002) Rethinking cross-cultural management in a globalizing business world *International Journal of Cross-Cultural Management* 2 (1) 103-121
Stahl, G.K. and Voigt A. (2004) Meta-analyses of the performance implications of cultural differences in mergers and acquisitions *Academy of Management Best Paper Proceedings*, IM, I1-I6
Stahl, G.K. and Sitkin, S.B. (2005) Trust in mergers and acquisitions in Stahl, G.K. and Mendenhall, M.E (2006) Mergers and acquisitions: managing culture and human resources, Stanford Business Books
Stahl, G.K. and Mendenhall, M.E (2006) Mergers and acquisitions: managing culture and human resources, Stanford Business Books
Stahl, G.K. and Voigt, A. (2005) Impact of cultural differences on merger and acquisition performance: a critical research review and an integrative model, *Advances in Mergers and Acquisitions*, 4: 51-82
Stahl, G.K. and Voigt A. (2008) Do cultural differences matter in mergers and acquisitions? A tentative model and examination, *Organization Science*, 19, 1, 160-176
Tajfel, H. (1974) Social identity and intergroup behaviour, *Social Science Information* 13, 65-93
Tajfel , H. & Turner, J. (1986) The social identity of intergroup behavior; In S. Worchel and W. Austin Psychology of Intergroup Relations – Chicago: Nelson-Hall
Teerikangas, S. and Very, P. (2006) The Culture-Performance Relationship in M&A: From Yes/No to How, *British Journal of Management*, 17, 31-48
Tsui, A.N., Nifadkar, S.S. and Ou, (2007) A. Cross-national, cross-organizational behavior research : advances, gaps and recommendations *Journal of Management* 33, 426-478
Vaara, E. (2000) Constructions of Cultural Differences in Post-Merger Change Processes: A Sensemaking Perspective on Finnish-Swedish Cases *M@n@gement, Vol. 3 (3) 2000, 81-110*
Vaara, E., Sarala R., Stahl, G. & Björkman E. (2010) The impact of nationnal and organization differences on social conflict and knowledge transfer in international acquisitions *Journal of Management Studies*, 1-23
Van Knippenberg, D. and Schippers, M.C (2007) Work group diversity, *Annual Review of Psychology,* 58, 515-541
Vermeulen, F. and Barkema, H. (2001) Learning through acquisitions *Academy of Management Journal*, 44, 457-476
Vlaar, P., Van den Bosch, F., Volberda, H. (2006) Coping with problems of understanding in interorganizational relationships: using formalization as a means to make sense *Organization Studies* 27, 1617-1638
Weber, Y., Shenkar, O. and Raveh, A. (1996) National and corporate cultural fit in mergers/acquisitions: an exploratory study, *Management Science*, 42, 8, 1215-27
Weber,Y, Rachman-Moore, D. and Tarba, S. (2012) HR practices during post-merger conflict and merger performance, *International Journal of Cross-Cultural Management,* 12 (1) 73-99
Yin, R. K. (2003) *Case study research: Design and methods* (3rd ed.). Thousand Oaks, CA: Sage.
Zollo, M. and Meier, D. (2008) What is M&A performance? *Academy of Management perspectives*, 55-77