



# Employing critical incident technique as one way to display the hidden aspects of post-merger integration



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## ABSTRACT

This paper explores perceptions of job changes and cross-cultural interactions in a multicultural team resulting from a cross-border merger and acquisition (M&A). It is based on a grounded qualitative study interviewing and debriefing nine managers who are experts in cross-border acquisitions (CBA). The purpose of this work is to demonstrate the relevance of Critical Incident Methodology to accessing managerial perceptions, emotions, and stress in a post-merger integration (PMI) stage. Critical incident technique (CIT) is examined from a novel perspective to capture uncovered contextual conditions of PMI and show its relevance to studying soft factors of CBA. The paper explains how CIT can be used to gain greater understanding and to reveal the “hidden” aspects of M&A systematically. Interview results are described: 22 critical incidents have been developed. Employing CIT, the conclusions focus on the insights gained from the counter-intuitive positive emotional reactions of managers to cross-border M&As.

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## 1. Introduction

A series of merger waves has characterized recent decades (Buckley & Ghauri, 2002) with questionable results. Mergers and acquisitions are undertaken on the assumption that “the combined company will have greater value than the two companies alone” (Marks & Mirvis, 1992, p. 69). A body of research in international business has focused on financial and strategic reasons to explain the high failure rates of M&As (Gomes, Weber, Brown, & Tarba, 2011; Cartwright & Cooper, 1996, 2000; Morosini & Singh, 1994). Indeed, the unsuccessful results of M&As suggest “neither scholars nor practitioners have a thorough understanding of the variables involved in the M&A process and their complex interrelationships” (Gomes, Angwin, Weber, & Tarba, 2013, p. 30).

However, it seems important to examine the causes of international acquisition failure through a different lens. The inconsistent findings show that there are different routes to explain the high failure rates of M&As, and the multidisciplinary nature of M&As makes it impossible to use only one perspective to elucidate the “gray box” conditions that exist in M&As. CBA underperformance seems to be often attributed to human factors (Cartwright & Cooper, 1992; Gomes, Mellahi, Sahadev, & Harvey,

2015), the cultural challenges involved (Stahl & Voigt, 2008; Teerikangas & Very, 2006), and the difficulty of adequately managing the post-acquisition integration phase (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999). It is increasingly argued that a strategic fit between the partners is not enough, and that the success or failure of M&As ultimately depends on the individual and group-level responses to the evolutionary and planned change processes following the establishment and implementation of such partnerships (Gomes et al., 2011).

A complex set of variables seems to influence the development of PMI in different ways. For example, the impact of mergers and acquisitions on individuals and groups may differ widely depending on national and organizational cultural differences (Liu & Woywode, 2013; Vaara, Sarala, Stahl, & Björkman, 2012; Xing, Liu, Tarba, & Cooper, 2014), human resource management practices (Weber & Tarba, 2010), knowledge transfer (Ahhammad, Tarba, Liu & Glaister, 2014; Junni & Sarala, 2013), and leadership approaches (Zhang et al., 2014). Some of these variables seem underexplored. Some contributing factors seem not only poorly understood but also missing, partly because they are very difficult to study systematically. The sociocultural M&A literature reveals that the human side of these phenomena is often referred to as the “forgotten” factor (Marks & Mirvis, 1986; Kusstatscher & Cooper, 2005; Stahl & Voigt, 2005, 2008; Weber, Drori & Tarba, 2012). However, despite the significant amount of research carried out on the human side of M&As, the psychological dimension of the

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phenomenon has been disregarded (Gomes et al., 2015). The study of the impact on individuals of cultural and corporate changes resulting from CBA is still very scarce in the PMI stage and needs further investigation.

Moreover, there are very few streams of grounded theory work based on in-depth interviewing or case research that could reframe the view of acquisitions and create new distinctions and links rooted in observation. Consequently, more research is needed to assess individual psychological and emotional reactions to the organizational change resulting from CBAs (Kusstatscher & Cooper, 2005). PMI cultural change has been considered a crucial factor in the success of M&As for over 20 years (Faulkner, Child, & Pitkethly, 2003). It has also long been recognized that people involved in M&As often resist cultural change (e.g. Cartwright & Cooper, 1993; Buono, Bowditch, & Lewis, 1985). Despite this recognition, few studies provide insights into the management of PMI cultural change (Schweiger & Goulet, 2005; Ellis & Lamont, 2004).

To address these research gaps at the individual level, this study introduces the critical incident technique (CIT) as one potential methodology to investigate the individual perceptions, interactions, and emotions of managers, who, in a sense, are the real “experts” in cross-border mergers. This grounded, approach-based study (Charmaz, 2008; Glaser, 1998; Glaser & Strauss, 1967; Stern & Porr, 2011) focuses especially on managers’ emotional reactions to their intercultural encounters and their perception of cultural challenges in PMI in an oil industry company.

The theoretical contribution of this qualitative grounded work is to further our understanding of the sociocultural aspects of PMI by investigating managerial perception. This paper advances our current understanding by developing a richer appreciation of the sociocultural factors that affect merging organizations. By eliciting a qualitative approach, depicting critical incidents from the managers themselves,<sup>1</sup> attempts to assess and monitor PMI processes will better reflect the lived experiences of those on the front line of these processes, thus allowing for clearer understandings, more informed interventions, and the development of ways to facilitate the PMI process.

Hence, the purpose of this study is twofold: to shed light on the challenges faced by individuals in PMI settings from the perspective both of organizational and of cultural change. In particular, I seek to investigate more deeply individual reactions to the change processes triggered by PMI; to support the value, the strength, and the relevance of the CIT methodology as one way to reveal managerial perceptions, emotions, and stress in the PMI stage.

Additionally, most studies rely heavily on quantitative and analytical tools (Rottig, Reus, & Tarba, 2013). This approach does not necessarily capture the sociocultural aspects of the complex and multifaceted organizational change processes stemming from M&As (Almor, Tarba, & Benjamini, 2009). A grounded perspective, based on people who have actually experienced a merger, rather than developing theories and inferring hypotheses from existing theories, would fill this gap. This aims to explore the question: “How do middle managers perceive cultural challenges and job changes in the PMI stage?” Stahl et al. (2013) calls for new methodological approaches to develop a more holistic understanding of these complex phenomena instead of simply replicating the same variables within the same research frameworks. The CIT used in this study could enable researchers to reveal the hidden aspects of PMI in a systematic way, by grasping managers’ perceptions of job changes and cultural challenges in this specific context.

In the next section, I will develop the theoretical background to the sociocultural dynamics and their accompanying emotional reactions in the PMI stage, consequently context of job changes and

upheaval. I will then introduce the CIT methodology as one way to investigate emotions and perceptions in CBA; and explain how I used it to develop a series of critical incidents derived from interviews with middle managers about their experiences with M&As. These critical incidents all reflect managers’ perceptions of job changes and cultural challenges in PMI settings. The final sections provide counterintuitive discussion of what emerges from the interviews, i.e., that conflict or difficulties due to change are perceived in a positive way; and conclusions from both theoretical and practical/managerial perspectives, as well as limitations to the study.

## 2. Discussion of prior literature and analytical framework

### 2.1. Mergers and sociocultural integration

A trend in management research is to focus on the cultural aspects of international M&A performance (Arikan, 2004; Cartwright & Schoenberg, 2006; Rottig & Reus, 2006). Buono et al. (1985) conceptualized M&As as an attempt to combine different organizational cultures. Some researchers have argued that the complexity of integrating the different cultures of the combined firms is what impedes M&A performance (Marks & Mirvis, 2001; Schweiger & Walsh, 1990; Shrivastava, 1986). The effects of differing cultures have been examined at both the organizational level (Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Stahl, Medenhall, & Weber, 2005; Stahl & Voigt, 2008) and at the national level (Barkema, Beld, & Pennings, 1996; Calori, Lubatkin, & Very, 1994; Morosini, Shane, & Singh, 1998; Reus & Lamont, 2009; Weber & Shenkar, 1996). According to Very, Calori, and Lubatkin (1993, p. 343), “cross-national mergers are a complex phenomenon, sometimes influenced by national cultural differences, sometimes by organizational influences, sometimes by both and sometimes by neither”. This statement is apparently still valid (Weber, Tarba, Stahl, & Rozen Bachar, 2012). Most research has considered one level of cultural influence (Teerikangas & Very, 2006), and only a few studies combine both levels, national and organizational cultural differences (Sarala & Vaara, 2010; Ahammad et al., 2014). Yet combining both levels is in line with the trend toward multilevel perspectives, and contradictory findings may result, depending on whether we examine the effects of corporate culture or of national culture. Sarala and Vaara (2010) address both organizational and national culture differences in their analysis of how cultural factors influence knowledge transfer, which, in turn, may influence post-acquisition outcomes, and they clarify the role of cultural factors as an explanation of post-acquisition knowledge transfer. They find a positive effect of national culture difference on knowledge transfer and no significant effect of organizational culture difference. In another study combining both organizational and national levels of culture differences, Ahammad et al. (2014) finds no effect of national culture on knowledge transfer, but a mediating effect of differences at an organizational level on knowledge transfer and CBA performance. These studies support the need to clarify the role of organizational or national cultural differences and to clearly differentiate the two concepts (Ahammad et al., 2014).

PMI has increasingly attracted researchers’ attention in recent decades (Birkinshaw, Bresman & Hakanson, 2000; Angwin, 2004). Successful integration<sup>2</sup> is essential to realize the business potential of an acquisition, whether domestic or cross-border (Child, Faulkner, & Pitkethly, 2001). The acquisition literature has stressed the importance of an appropriate management of this stage for value creation and performance (Haspeslagh & Jemison, 1991;

<sup>1</sup> i.e. getting managers themselves to describe critical incidents.

<sup>2</sup> In this paper: “Integration as a Process of Organizational Change” (Graebner & Eisenhardt, 2004).

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