Chapter II

Review of Literature
REVIEW OF LITERATURE

This chapter reviews the literature on the concepts and variables on which this dissertation is based. The major concepts studied are Organizational culture in Mergers and Acquisitions, Cultural change or expectations, organizational Effectiveness or success of the acquisition and Cultural integration of the acquisitions. The chapter also reviews the literature on organizational Ideologies and sub-cultures.

2.1 Mergers and Acquisitions

One approach toward a conceptual understanding of the dynamics which occur during and after a merger is to view the process as an attempt to combine different organizational cultures (Buono, et. al., 1985)².

But one of the basic difficulties that complicate the understanding of merger related dynamics and outcomes is the range of M & A possibilities.

Till 1989, the prevalent literature on M & A was suggestive that 'such combinations are homogeneous in nature and will typically have the same repercussions for the firms and their human resources' (Schweiger and Ivancevich, 1987)².

But of late it is coming to be accepted that 'each type (of M & A) will typically involve different dynamics and synergies' (Buono and Bowditch, 1989)³. Thus it is vital that a study on post-merger integration takes into account the type of the merger / acquisition so as to arrive at realistic conclusions.
The range of combinations is based on the need or the management goals and objectives for the acquisition. The motive not only decides the type, but also sets the tone, the pace and pattern of the changes in the organization. The underlying strategic purpose significantly influences the combination, the integration strategy and related organizational and human resource policies and procedures. Research on this has been going on for decades (Reid, 1968; Steiner, 1975; Jensen and Ruback, 1983; Schweiger and Ivancevich, 1987; Walter and Barney, 1990).

While one approach is to develop 'comprehensive' lists of all the managerial goals and objectives that might motivate managers to engage in M & A (e.g. Steiner, 1975; Allen et al., 1981; Goldberg, 1983), the other approach focuses on how 'particular' managerial goals or objectives motivate managers to engage in M & A (e.g. Williamson, 1975; Pfeffer and Salancik, 1978; Amihud and Lev, 1981; Lubatkin, 1983; Eckbo, 1983).

A cluster analysis done by Walter and Barney (1990) to identify the motives of M & A reported the following 5 distinct clusters: 1. M & A are a way managers obtain and exploit economies of scale and scope; 2. they are a way managers deal with critical and ongoing interdependencies with others in a firm's environment; 3. they are a way managers expand current product lines and markets; 4. mergers are a way managers enter new business; and 5. they are a way managers maximize and utilize financial capability.

The Federal Trade Commission (1975), has classified five basic types of M & A based on the strategic purpose of the acquisition: horizontal, vertical,
product extension, market extension, and unrelated. These transaction types hold significant ramifications for organizational members, since they are a key determinant of the probability that a firm's top managers will have the power to effectively negotiate.

Pritchett (1985)\(^{19}\) identified four broad categories of mergers and acquisitions, based on the degree of friendliness or hostility with which the target firm was acquired and classifies them on a 'Cooperative - Adversarial' continuum as: organizational rescues, collaborations, contested situations, and raids. Accordingly, an organizational rescue represents the most cooperative relationship between the acquirer and its target, while a raid is hostile in nature and creates the most adversarial form of consolidation.

Jenster (1987)\(^{20}\), delineated nine different types of mergers based on the level of control. They were: investment only, financial control, central services, limited decision making, retained decision making, many strategic decisions, all strategic decisions, many operating decisions and fully integrated firm.

Buono and Bowditch (1989)\(^{21}\), combined the above classifications propounded by FTC, Pritchett and Jenster, and with a few modifications, suggested an integrated typology. They did this because they felt that individually the three models failed to capture the true subtleties and complexities of mergers and acquisitions for organizations and their human resources. Buono and Bowditch go on to remark 'It is important to note that while the FTC argues that these five categories are mutually exclusive, in reality many M & A are not 'pure' types, but rather contain elements of two or more types (Pelster, 1981)\(^{22}\).
The Buono-Bowditch typology is 3-dimensional with the strategic purpose axis classified as Horizontal, Vertical, Product-market extension, Unrelated and Financial take-over. The axis denoting the Friendliness-Hostility is classified as Friendly-collaborative, Laissez-Faire, and Hostile-contested. The third axis, denoting the level of control is classified as Operational (High), Strategic (Moderate) and Financial (Low). So it is possible to have a variety of combinations based on these.

Thus the literature offers several M & A typologies, without much detail (Napier, N.K., 1989)[23].

Napier analyzed the fundamental reasons or motives for an M & A and then suggested his classification. “The most commonly discussed method to describe motives for mergers is from a financial, usually investor’s perspective. For example, value and non-value maximizing motives suggest two general groups of mergers and potential types of outcomes, e.g., actions to increase shareholders’ profit versus management actions such as increasing power, prestige, sales, assets or top management compensation (Halpern, 1983[24]; Jemison and Sitkin, 1986[25]; Jensen and Ruback, 1983[26]; Rhoades, 1983[27]).

According to Napier, there need be only two considerations for classifying a merger: one, the motive (i.e., value maximizing or non-value maximizing) and two, the characteristic features of the merging firms (i.e., sizes, recent and potential performance of each, similarity of cultures, business relatedness etc.). Based on this we could classify the acquisitions as - Collaborative, Extension, and Redesign (Napier, N.K., 1989)[28].
In **Collaborative mergers**, two firms join if (1) **the combination will benefit the firms in terms of both operational output (production, marketing, or prices)** and financial gains, or if (2) one of the two firms will benefit in either output (e.g., exchanging skills) or financial gains. The first type of collaborative merger is a **synergy** and the latter is an exchange acquisition or merger.

**Synergy** combinations generate benefits in both product output and financial gains. Product output advantages to both firms include creating a critical mass of resources to out-perform the competition (Salter and Weinhold, 1979)\(^{29}\), co-ordinating prices (Jensen and Ruback, 1983)\(^{30}\), reducing competition through horizontal acquisitions and integrating production through vertical acquisition (Pfeffer, 1972)\(^{31}\), **as well as creating economies of scale and scope (Halpern, 1983)\(^{32}\)**. Financial gains for both firms develop through decreasing expected bankruptcy costs, increasing borrowing capacity and cash flow, creating P/E magic, gaining tax exemptions, redeploying excess capital and reducing agency costs by bringing related assets under common ownership (Halpern, 1983\(^{32}\); Jensen and Ruback, 1983\(^{34}\); Mueller, 1977\(^{35}\)).

The effect of collaborative mergers on human resources practices, (including culture) may be extensive (Napier, N.K., 1989)\(^{36}\).

**Extension mergers** are cases where the acquiring firm essentially leaves the acquired firm alone, changing little or none of its management or operation. These mergers typically develop out of non-value maximizing motives and
would expect to be conglomerate mergers. One firm merges or acquires another for a growth related reason, e.g., as a managerial pursuit, as a way to diversify, or as a way to take advantage of a 'good buy'. Extension mergers typify a 'hands-off' approach.

This is because the acquirer may have very little expertise in the business of its acquisition (Prahalad and Bettis, 1986). Another reason of this hands-off approach may be that an acquired firm is performing well, and adds to the assets or sales of the acquirer, without requiring management input from the buyer firm. The acquirer may refrain from tampering with its acquisition, especially if key players stay on in the acquired firm. So the acquired firm may have access to the acquirer firm's skills, talents and resources when it needs them, but there is apt to be little active meshing of practices or moves to redesign policies (Napier, N.K., 1989).

Redesign mergers is likely to be in a related business area. The motive of the merger may be one firm's desire to control the management or Board of the other (Halpern, 1983). Gaining control may be especially important if the other firm is in financial difficulty. In such a case the acquirer may anticipate that with replacement management, or an influx of resources, the acquired firm may be salvaged.

In this type of merger, the policies and practices (culture) of one firm (usually the target) changes dramatically. But in certain conditions, like for instance, if one firm acquires another in a region where long-standing name is
a strategic advantage, then the acquirer may decide to retain the acquired firm's name (Napier, N.K., 1989).

2.2 The concept of Organizational Culture and its role in Mergers and Acquisitions

When one company acquires another, new human relationships are formed among those in the buying and selling organizations. This can dramatically affect the deal's success and the participants' happiness (Hayes, 1979).

The consulting firm McKinsey & Co. concluded that 'most companies that embark on diversification programs fail...Indeed an analysis of 18 recent acquisitions suggests that the performance of most of the acquired companies deteriorated significantly after acquisition.'

Research by Mark Feldman of the Hay Group, another consulting firm, indicates that about one-third of all acquired companies get sold off within five years and that as many as 90% of mergers never live up to expectations (quoted in Lefkoe, 1987).

'What goes wrong? Why do mergers that are intended to raise shareholder wealth by reducing costs or increasing revenues often produce just the opposite result? The reasons are many..... But I believe the most common cause of failure is a clash of corporate cultures' (Lefkoe, 1987).

The job of bringing different companies together in a merger has always been difficult. Humorously speaking, it's been compared to, a little like a second
marriage, especially if she comes with kids from her first marriage and so does he. Often the children declare war on each other, even if the parents don't. And in time they may be drawn into the vendetta. In failed corporate marriages such affairs were once described as clashes of personalities or old loyalties. Now they are called clashes of corporate cultures (Silk, 1989)\textsuperscript{44}.

Cultural incompatibility is being widely reported as the cause for poor merger performance (Cartwright and Cooper, 1993)\textsuperscript{45}. The cost of 'culture collisions' resulting from poor integration may typically be as high as twenty five to thirty percent of the performance of the acquired organization (Walter, 1985)\textsuperscript{46}.

The 'all encompassing' reason for failure of M & A was 'people problems' (Knowles, 1988)\textsuperscript{47}.

An assessment of culture has aided understanding of what goes on inside organizations when different subcultures and occupational groups must work with each other. A perceived threat to one or both of the culture groups of merging firms can heighten the polarization between employees and increase the tendency to be highly evaluative with respect to what 'our' company and 'their' firm are attempting to accomplish (Sales and Mirvis, 1984) \textsuperscript{48}. As a result, efforts to impose seemingly rational requirements for effecting organizational, procedural, and other merger-related changes may be resisted because of threats to the existing cultures (Buono and Bowditch, 1989)\textsuperscript{49}.  

Hence the importance of taking into account the human side of acquisitions - taking the human nature into consideration, expecting natural human reactions, and planning ahead for these to occur (Hayes, 1979)\textsuperscript{50}.

2.2.1 Organizational Culture - Definition and Interpretation

The basic proposition that organizations have cultural properties, that they breed meanings, values, and beliefs ... has experienced rapid acceptance and popularity (Allaire and Firshtrotu, 1984)\textsuperscript{51}.

As Barley and colleagues (1988)\textsuperscript{52} noted, the concept of organizational culture has a long history, dating to early sociological studies (e.g., Gouldner 1954\textsuperscript{53}, Selznick 1948\textsuperscript{54}).

One can speak of 'patterns of roles and norms embedded in certain paramount values' (Kroeber & Parsons 1958)\textsuperscript{55} or on a broader term 'behavior patterns acquired and transmitted by symbols, constituting the distinctive achievements of human groups' (Brislin, et al. 1973)\textsuperscript{56}.

It will be understood that in these definitions the reference is to the concept of 'culture'.

In a highly influential article, Andrew Pettigrew (1979)\textsuperscript{57} delineated the concept of organizational culture for management research: "In the pursuit of everyday tasks and objectives, it is all too easy to forget the less rational and less instrumental, the more expressive social tissue around us that gives those tasks meanings. Yet, in order for people to function within any given setting,
they must have a continuing sense of what that reality is all about in order to be acted upon. Culture is the system of such collectively accepted meanings operating for a given group at a given time and the offsprings of the concept of culture I have in mind are symbol, language, ideology, belief, ritual and myth”.

What made the concept of organizational culture suddenly so attractive to managers, the press, and scholars? One important factor was the turbulence and difficulties that US firms were experiencing in working with organizations from countries with very different cultures (Pondy and Mitroff 1979)\(^a\).

Researchers reported that in 1979 they found about 50 studies with the word 'myth, in the title or abstract; by late 1981, they found more than 500 such articles (Broms and Gahmberg 1982)\(^b\). Warner, M. (1980)\(^c\) says ‘There are now probably over a thousand empirical studies on management and ‘culture’.

The word culture was adapted in French from the Latin ‘cultura’ which is related to the Latin ‘cultus’, cult or worship. Culture originally meant ‘nurturing’, as in agriculture, and soon acquired deeper metaphorical content.

We can trace its roots back to biblical times. In Samuel Johnson’s first English dictionary, he quotes this use of ‘culture’ from the Book of Ezra: “Give us seed unto our heart, and culture to our understanding, that there may come fruit of it”.
In ordinary language the major meaning of the term 'Culture' is closely associated to socially elitist concepts like refinement of mind, tastes and manners based on superior education and upbringing. It has also been identified with the intellectual side of civilization, particularly in its German spelling. In Europe before the Second World War the term 'Kultur' was used extensively to support arguments on the social and racial superiority of some groups over the others.

The Hawthorne studies were aimed at describing the technical, the social, and the ideological relations (Roethlisberger and Dickson 1946\textsuperscript{61}; Moore 1982\textsuperscript{62}). Technical relations arranged the flow of materials to machines, tools, and their output. The social structure organized the work, both formally in terms of specific designated relations, and informally in terms of those friendships and cliques that naturally formed outside the formal, prescribed relationships. The third kind of relations, the ideological, concerned the worker's culture - their shared beliefs and understandings regarding the work setting.

The ideologies these workers shared were extracted from the interviews; they consisted of beliefs about fairness, a living wage, and the right to work. Workers used these ideologies to justify and explain why they restricted output, pressured fellow employees to withhold production, and frequently violated company rules. This phase of the Hawthorne studies marked the first well publicized cultural explanations for worker's behavior in the management literature (Roethlisberger and Dickson 1946)\textsuperscript{63}. 
Tylor, E.B. (1871) defined Culture using the anthropological leanings, 'as a complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of society'.

Sociologists have concentrated on the ideational, symbolic and evaluative elements, that is to say 'ideas and beliefs, expressive symbols or value patterns' (Parsons 1951).

Psychologists tend to keep to the original layman's use of the term as an elitist category (Warren 1934) and define it as subjective culture, that is to say a 'group's way of perceiving its social environment' (Triandis 1972), or as Curle (1947) defines it as a 'cluster of socially determined attitudes and behavior patterns grouped and elaborated around structurally defined roles and relationships'.

Thus, by drawing on various disciplines like anthropology, sociology, and social psychology, researchers have made a number of efforts to understand the behavior of individuals and groups in 'organizations' using cultural concepts such as semiotics, rituals, ceremonies, stories, and language (e.g., Barley 1983; Smircich 1983; Swidler 1986; Deal & Kennedy 1982).

These investigations have generated a series of debates over issues such as the definition of 'culture', the appropriate methodology for investigating it, and the proper level of analysis for its study.

Barley (1983) pointed out that all studies of culture, whatever their theoretical origin, use reasonably similar terms and constructs. Whatever
differences existing pertain to how objective or subjective, conscious or unconscious their use of these terms is and in what they see as appropriate elements to study.

Perhaps, the earliest definition of organizational culture came from Kluckholm (1942)\textsuperscript{74}: 'Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional ideas and especially their attached values'. In many ways, culture could be described as the personality of the organization.

Harrison (1972)\textsuperscript{75} defined culture as the product of the ideologies to be found within the organization.

Typically researchers have agreed that culture can be thought of as a set of cognitions shared by members of a social unit (e.g., Geertz 1973)\textsuperscript{76}.

Eldridge and Crombie (1974)\textsuperscript{77} define culture as 'Culture.....is a characteristic of all organizations through which, at the same time, their individuality and uniqueness is expressed. The culture of an organization refers to the unique configuration of norms, values, beliefs and ways of behaving that characterize the manner in which groups and individuals combine to get things done...'. It is manifested in the folkways, mores, and the ideology to which members defer, as well as in the strategic choices made by the organization as a whole.
Porter, Lawler and Hackman (1975)\textsuperscript{78} have stated the argument as follows: Organizational 'culture' (is) a set of customs and typical patterns of ways of doing things. The force, pervasiveness and nature of such modal beliefs and values vary considerably from organization to organization. Yet it is assumed that an organization that has any history at all has developed some sort of culture that this will have a vital impact on the degree of success of any efforts to alter or improve the organization. The organizational behavior literature is replete with illustrations of developmental attempts that have failed due to insufficient attention in advance to the prevailing culture... if development is to take place, its chances for success will be improved by taking into account the prevailing and dominant norms and values that already exist in the situation.

Hofstede (1980)\textsuperscript{79} defines culture as 'collective programming of the mind', and uses the word for describing entire societies. Sub-cultures are used to denote groups within societies. He preferred to say thus: 'in general we find that outstandingly successful organizations usually have strong and unique cultures: the success themselves contribute to the company mythology which reinforces the sub-culture. Unsuccessful organizations have weak indifferent sub-cultures or old sub-cultures that become scelerosed and can actually prevent the organization's adaptation to changed circumstances'.

Smircich (1983)\textsuperscript{80} delineated the two perspectives of culture, following Burrell and Morgan's (1979)\textsuperscript{81} paradigmatic schema, and concluded that the functionalist research tradition, considers culture to be an organizational variable, something the organization has; while the interpretive tradition studies culture
as a pattern of symbolic discourse, something the organization is. Those writing
in the functionalist tradition give credence to statements about "the
ideology of the organization" and researchers in the interpretive paradigm
speak of "uncovering the way a particular reality works" (Riley, 1983).\textsuperscript{83}

Gregory (1983)\textsuperscript{83} defined culture as learned ways of coping with
experience. According to him, 'a culture is conceptualized as a system of
meanings that accompany the myriad of behaviors and practices recognized
as a distinct way of life. Although it is referred to as a system, culture is only
explicit as people express it, much of the system must be considered as being
made up of implicit meanings that motivate behavior'.

Despite of disagreements over some elements of definition and
measurement, researchers seem to agree that culture may be an important
factor in determining how well an individual fits into an organization (e.g.,
O'Reilly, Chatman, and Caldwell 1991).\textsuperscript{84}

So also, Lofquist and Dawis (1969)\textsuperscript{85} opine that satisfaction for the
individual results from "a harmonious relationship between the individual and
his environment, suitability of the individual to the environment and vice versa".

It was during this time that many scholars and consultants wondered
whether the culture route to explaining the organizational facets was a fad that
would disappear once people realized that culture was not easy to manipulate."
But the faddish side of culture has not waned; in fact, an increasing number of
researchers, practitioners, managers and leaders have found the concept useful
and necessary in analyzing and managing organizations" (Schein 1992).\textsuperscript{86}
Throughout human history, cultures have provided much of the additional guidance, needed for human beings to collectively survive, adapt and achieve. "We are in sum, incomplete or unfinished animals who complete ourselves through culture - and not through culture in general, but through highly particular forms of it" (Geertz 1970)87. By producing some degree of orderliness and regularity from baffling, precarious, and disorderly circumstances (Leach 1976)88, culture smooths human life and allows people to get on with the necessities of living. This ongoingness, in turn, permits the accumulation of human learning over time. Each generation does not need to discover anew the solutions to recurrent uncertainties and problems. But chaos always threatens because new uncertainties arise. Thus some analysts suggest that cultures only cover up the ultimate disorder of existence (Moore and Myerhoff 1977)89 and construct a precarious social reality that keeps chaos at bay (Berger and Luckmann 1966)90.

A Times Guide to Career Development91 warns: 'Companies may spend millions of pounds a year on the marketing of their products and yet neglect to tell job applicants anything really useful about the culture they may be joining. Yet learning the company culture and adapting to it may be a key factor in a successful career'.

Differences in cultural attitudes and value systems may affect human behavior in organizations in various ways. The following model depicts the multi-pronged influence of culture on the members’ behavior.
Fig. 1 Model of influence of culture on behavior of members


As seen in the model portrayed, in the first place culture may have a direct influence upon the organization (in addition to technological and economic determinants), whereas the organization in turn influences individual behavior (line 1 in the figure). In the second place cultural factors may influence attitudes, role perceptions and values of the organizational members, which in turn shape the organization. This again has an influence on the actual behavior of the various (groups) of participants (line 2 in the figure). In the third place cultural factors may mediate or moderate between organizational features and individual behavior or attitudes (line 3 in the figure).

Culture and Climate

At this stage, it is illuminating to clarify in brief the subtle difference between the terms 'Culture' and 'Climate'.

Taigiuri and Litwin (1968)\textsuperscript{93} quoted, inter alia, McGregor (1960)\textsuperscript{94} as follows: The day by day behavior of the immediate superior and of other significant people in the managerial organization communicates something about their assumptions concerning management which is of fundamental significance...(pp.133-4). Here these `assumptions' are cultural ideologies and `day by day behavior' is the climate of the organization.

Margulies and Raia (1978)\textsuperscript{95} distinguished culture which `develops and changes slowly over time' (p.14) from climate, which is `more like a weather barometer. Climate is a reflection of the day-to-day relationships between people, and between people and their jobs'. According to them, the climate consists of activities, interactions and attitudes which lead to `trust or mistrust, collaboration or competition, mutual support or parochialism, open or closed communication' (p.13). The cultural sub-systems, on the other hand, include such things as informal organizations and status hierarchies. It consists of a set of values and other generally shared views. It also consists of normative ideas about behavior which are usually accompanied by rewards and punishments designed to reinforce the norms. (p.13).

This brief review of definitions available on organizational culture indicates the broad usage of the term. Despite this, certain basic elements of culture can be delineated (Barnouw, 1975\textsuperscript{96}, 1979\textsuperscript{97}; Buono, Bowditch, and Lewis, 1985\textsuperscript{98}; Morey and Luthans, 1985\textsuperscript{99}).

Foremost, is the integrative theme of custom, traditional and regular ways of doing things. Thus culture can be thought of as being `learned' rather
than genetic or biological in nature. It is *shared* by people as members of social groups rather than being an idiosyncratic attribute. Culture is also *transgenerational* and *cumulative* in that it is passed from one generation to the next. Finally, it is *symbolic* in nature and *patterned* (i.e., organized and integrated) in our lives (Triandis and others, 1972).

One also notices that the previous thinkers and researchers have adopted one of the three viewpoints concerning the genesis of culture:

1) **Culture is a product of the context** - the market in which the organization operates, the legal constraints, and so on. (Payne and Mansfield (1972))

2) **Culture is a product of the Ideologies to be found within the organization.** (Harrison (1972)).

3) **Culture is a product of people's attitudes to their work:** it is the product of the individual psychological contracts with the organization. (James and Jones (1974)).

Finally, the literature review very clearly identifies two layers of the manifestation of culture, which is then diagnosed, measured and named by researchers.

The responses of the organizational members fall into two major categories. The first layer is the core - the substance of a culture - shared, emotionally charged belief systems that we call Ideologies.
The second is cultural forms - observable entities, including actions, through which members of a culture express, affirm and communicate the substance of their culture to one another.

2.2.2 Organizational Ideology

Taking the view given by Harrison (1972) that Culture is a product of the Ideologies to be found within the organization, it is necessary to define the term ‘Ideology’.

"People in organizations, as in social life, generally generate Ideologies that tell them what is, how it got that way, and what ought to be. Such ideologies form the substance of cultures. They are not rationally based belief systems. Rather they are relatively implicit sets of taken-for-granted beliefs, values and norms. Also, ideologies are more emotionally charged and resistant to change than rational beliefs because they give people some sense of confidence in facing the threats posed by uncertainties.... In addition, by endorsing some actions and forbidding others, ideologies channel people’s actions so that most of the time they repeat apparently successful patterns of behavior, mesh together in predictable ways, and avoid certain dangers and conflicts." (Trice & Beyer 1993)

Thus, there are deep-set beliefs about the way work should be organized, the way authority should be exercised, people rewarded, and controlled. What are the degrees of formalization required? Do teams have control or is it individuals? Are there only rules and procedures or only results? These and
others are a set of prescriptions and prohibitions that establishes the rationale for 'do's and 'don't's. This is an organization's Ideology.

Ideologies are belief systems that have become so commonplace that people introduce their expressions with phrases like "It goes without saying that", or "It's perfectly natural that

There are two major explanations for the origins and role of ideologies in human culture: interest theory and strain theory (Geertz 1964). Interest theory views ideology as a tool to be used to advance the interests of its members, like in the case of Marxian thought and literature. Strain theory takes a broader view of ideology, "by defining (or obscuring) social categories, stabilizing (or upsetting) social expectations, maintaining (or undermining) social norms, strengthening (or weakening) social consensus, relieving (or exacerbating) social tensions" (Geertz 1964).

Because shared belief systems can crystallize within any long-lasting human group, it seems restrictive to limit the use of the term ideology to one particular type of social group. The broader view of ideology consistent with strain theory is more useful for analyzing organizations and can subsume the narrower conception of interest theory within it (Beyer, Dunbar, and Meyer 1988). In this way Ideologies are similar to Kuhn's paradigm. Paradigms are scientific ideologies.
Ideologies are systems of thought that are central determinants of the character of organizations. An organization’s ideology affects the behavior of its people, its ability to effectively meet their needs and demands, and the way it copes with the external environment."

An organization ideology obviously has a profound effect on Organizational Effectiveness. It determines how decisions are made, human resources are used and the external environment is approached. It is ideologies and cultural forms that supply organizational members "fixed points in a world of bewildering change and disappointment" (Kluckhohn 1942)\textsuperscript{10}.

In general "Ideologies serve to make social situations comprehensible and meaningful. People naturally tend to simplify what they perceive; ideologies act to structure that simplification"(Trice and Beyer 1993)\textsuperscript{10}.

Though Ideologies are rather general sets of ideas, they are powerful in specific situations because they link actions and fundamental beliefs. Ideologies fulfill two major social functions: (1) the sharing of beliefs, values, and norms incorporated in their ideology binds groups of people together and thus promotes their social solidarity; (2) the rationalized understandings that Ideologies provide help to sustain individuals in enacting their social roles (Apter, 1964)\textsuperscript{11}.

The most obvious functions that Organization ideologies perform are:

- It specifies the goals and values toward which the organization should be directed and by which its success and worth should be measured.
- It prescribes the appropriate relationships between individuals and the organization (i.e., the 'social contract' that legislates what the organization should be able to expect from its people' and vice versa).

- It indicates how behavior should be controlled in the organization and what kinds of control are legitimate and illegitimate.

- It depicts which qualities and characters of organization members should be valued or vilified, as well as how these should be rewarded or punished.

- It shows members how they should treat each other - competitively or collaboratively, honestly or dishonestly, closely or distantly.

- It establishes appropriate methods of coping with the environment like exploitation, responsible negotiation and proactive exploration.

Ideologies lessen strain by fulfilling four functions: catharsis, morality, solidarity, and advocacy (Geertz 1964). The cathartic function is accomplished when emotional tension is lessened through projection of blame and anger onto symbolic enemies. The moral function applies when ideologies either deny chronic strain outright or else legitimize its existence in terms of higher values. Solidarity is realized when ideologies knit a group or social class together by creating a sense of community.
Ideologies "lend dignity to everyday activities and elicit members' commitment by transforming formal organizations into beloved institutions" (Meyer 1982). Finally ideologies perform an advocacy function when they articulate strains, calling attention to them, often polarizing them, and in the process making it difficult to ignore and neglect them (Trice and Beyer 1993).

People are "meaning-seeking animals" (Geertz 1973). These meanings are embodied in their cultures as Ideologies - shared, interrelated sets of beliefs about how things work: values that indicate what's worth having or doing; and norms that tell people how they should behave.

"Most organizations, undoubtedly develop Ideologies over time. It is difficult to imagine an established organization that holds nothing in deep respect, holds no beliefs about what is valued and how to achieve it, treats all decisions as an open question, and sets no principles to guide and justify decisions. To the degree that organizations do these things, they have Ideologies" (Trice & Beyer 1993).

While serving these important functions, however, ideologies may also have dysfunctions. Excessive ideological commonality may produce not only solidarity but also schisms. Organizational ideologies can lead to distorted perceptions of the world, excessive deviance compared to other organizations, behavioral rigidity and stagnation, and the outside world seeing members as heretics and fanatics (Meyer 1982).
2.2.3 Classification of Organizational Culture

Having identified an organization's culture through its ideologies, it requires that some sort of basic categorization be in place to aid understanding and generalizations.

Trice and Beyer (1993)\textsuperscript{118} have presented a partial listing of the various types of organizational cultures that management researchers have advanced and discussed. Such typologies imply an etic orientation in that they seek to generalize some cultural properties across more than one organization.

The following table illustrates a few popular typologies.

Table 2.1

Typologies of organizational culture

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<thead>
<tr>
<th>Types of organizational cultures</th>
<th>Authors</th>
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<tbody>
<tr>
<td>2. Types A, J, Z</td>
<td>Ouchi and Jaeger, 1978\textsuperscript{120}. Ouchi, 1981\textsuperscript{121}.</td>
</tr>
<tr>
<td>3. Process culture, Tough-guy/Macho culture, Work-hard/Play-hard culture, Bet-your-company culture</td>
<td>Deal and Kennedy, 1982\textsuperscript{122}.</td>
</tr>
<tr>
<td>4. Paranoid, Avoidant, Charismatic Bureaucratic, Schizoid.</td>
<td>Kets de Vries, Miller, 1984\textsuperscript{123}.</td>
</tr>
<tr>
<td>5. Apathetic, Caring, Exacting, Integrative</td>
<td>Sethia and Von Glinow, 1985\textsuperscript{124}.</td>
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A further avenue of approach might be to classify organizations according to the way they learn. Kolb et al. (1971)\textsuperscript{125}, following Jungian psychology, devised a simple taxonomy of learning styles based upon the way organizations learn and these four combinations (sensation versus intuition, and thought versus feeling) can be loosely calibrated with the four cultures identified by Harrison.

Hofstede's (1980)\textsuperscript{126} classification contained a psychological model somewhat similar to the one expounded by Graves (1986)\textsuperscript{127}, but based upon cross-cultural rather than intra-cultural differences. It may be a useful framework but does not have immediate application. Hunt (1967)\textsuperscript{128} seemed to prefer a model involving centralization (or lack of it) and formalization (or lack of it).

In a lengthy attempt to argue for a dynamically antithetical view of organization theory, Astley and Van de Ven (1983)\textsuperscript{129} postulated four views of organization and its management, as follows:

i) **The natural selection view**

According to this view, organizations are created and determined by environmental competition. Behavior within them is random, natural or economic and the managerial role is inactive.

ii) **The strategic choice view**

According to this view, people and their relationships are organized and socialized to serve the choices and purposes of those in power.
Behavior within them is constructed, autonomous and enacted and the manager's role is proactive.

iii) The system-structural view

According to this view, roles and positions are hierarchically arranged so as to achieve the objective of the system efficiently. Behavior is determined, constrained and adaptive and the manager's role is reactive.

iv) Collective-action view

According to this view, organizations consist of communities or networks of semi-autonomous partisan groups that interact to modify or construct their collective environment, rules and options. Behavior is reasonable, collectively constructed and politically negotiated. The managers role is interactive.

Accepting, for the moment, the possibility of these four independent views, we may ask whether the Harrison model is not simply the symbolization of these differing views of organization. What if they were not cultures at all, but different labels for these views, respectively, atomistic (natural selection); power (strategic choice); role (system-structural) and Task (collective-action)?

The conclusions from data collected by the 'Aston Group' improved the understanding of the original Harrison categories. It seemed that they indicate different cultural patterns according to the nature of business.
2.2.4 The Harrison Model

Perhaps the best known culture model is that of Harrison (1972)\textsuperscript{130} who recognized four ideologies, orientations or perceptions (power, role, task and atomistic). While there is no one "best" orientation for organizational success, the different perceptions create different psychological environments for their members. Some evoke deeper commitment and are experienced as more satisfying than others. "His identification of four separate ideologies I have found most helpful. He does not go into the implications of mixed ideologies in one organization nor the rights or wrongs of such a mix" (Handy, C., 1986)\textsuperscript{131}. It is essentially descriptive.

Other typologies have been suggested, but they are more or less the same ideas with different names. These ideologies unlike Harrison's, are less able to accommodate intra-industry culture differences. The Harrison typology is more appropriate for analyzing and comparing the cultures of individual organizations (Williams et.al., 1989)\textsuperscript{132}. In practice, the Harrison typology also has a strong validity and accepted utility with managers (Cartwright and Cooper, 1993)\textsuperscript{133}.

Roger Harrison's conceptual framework postulated 4 organizational ideologies - 1) power orientation; 2) role orientation; 3) task orientation; 4) person orientation (Harrison,R,1972)\textsuperscript{134}.

Charles Handy\textsuperscript{135} preferred to use the term cultures to denote the four ideologies. Though the terminologies are different the substance is similar.
Explanations of the four Ideologies

**Power Ideology:**

The Power ideology is typified by a strong central source of power. Subordinates anticipate the needs and wishes of those at the top. This type of organization can be highly competitive, as it is swift to react; since the emphasis is on individual (boss) decision-making it can be stimulating for those who are seen as strong, and able to take on the burden of responsibility. There may be much political in-fighting, and the wielding of power depends very much on the personal charisma of leaders as well as the leader's risk-taking, intuition and change. Administration and technical expertise are likely to be seen as constraining rather than facilitating. Rewards and coercion are skillfully used.

**Role Ideology**

The Role Ideology is an organizational culture where the definition of roles and rules predominate. They are bureaucratic and hierarchical. The boundaries of what people can do according to their job descriptions and areas of responsibilities are important, as are the rules governing their conduct. Formal communication systems and patterns are defined, as are procedures for reporting up and down the organization. Senior managers are responsible chiefly for co-ordination, guided by rules and procedures. Individuals are secondary to formal task and role definitions. Individuals are selected for particular roles because they are seen to fit these roles. Power comes from the organizational role, not from the person.

**Task /Team Ideology:**

The Team ideology is one where formal roles are not important as work proceeds on the basis of expertise, controlling one's own work, flexible working
relationships and mutual respect of each others' competencies. Power comes through expertise. This culture is best suited for a fast changing and competitive market. Though these cultures create stimulating environments to work they are also exhausting.

**Person Ideology:**

In a Person ideology is one where the individual is the central point. If there is a structure or an organization it exists only to serve and assist the individuals within it. It is better called as a galaxy of individual stars. Clearly not many organizations can exist with this sort of culture, as organizations tend to have objectives over and above the collective objectives of those who comprise them. The psychological contract states that the organization is subordinate to the individual and depends on the individual for its existence. Individuals with this orientation are not easy to manage. One often encounters individuals whose personal preference is for this type of culture, but who find themselves operating in a more typical organization.

### 2.2.5 Diagnosing culture in M & A

Organizational cultures are likely to be more accessible at some times than at others (Louis 1985)\textsuperscript{136}. Disruptions for example, may reveal a culture through perceived violations of it. Corporate mergers and the entry of new members into work groups are examples of such disruptions (Trice & Beyer 1993)\textsuperscript{137}.

In most instances, organizational acquisitions increase the awareness of culture. Since culture is so much a part of oneself and one's lives, one is
unaware of it until it comes into conflict with or is contrasted to a different culture (Hall, 1959)\textsuperscript{138}.

M & A precipitate such conflict and lead to a process of 'cultural learning' that heightens organizational members awareness of their own culture and highlights and polarizes the differences between the firms (Sales and Mirvis, 1984)\textsuperscript{139}.

When organizations with disparate cultures are merged, the culture of the acquired organization often represents a potential counter-culture for the acquiring firm. As one set of observers of mergers commented, "There is the possibility that subcultures, i.e., groups of people who share common systems of beliefs that distinguish them from the majority of organizational members, and counter-cultures, i.e., groups of people whose behavior rejects that of the dominant culture...evolve out of mergers and acquisitions" (Buono, et.al., 1985)\textsuperscript{140}.

There is now an increasing interest in and a growing amount of research on the impact of mergers and acquisitions on human resource issues. Some of the research has examined the effects of Mergers and Acquisitions on a wide range of management issues, such as culture (Buono et.al, 1985)\textsuperscript{141}, structure (Mirvis, 1985)\textsuperscript{142}, human resource policies (Profusek and Leavitt, 1984)\textsuperscript{143} and employee reactions (Wishard, 1985)\textsuperscript{144}.

Interest in assessing post-acquisition cultural levels in Mergers and Acquisitions, as a criteria for success, are fairly recent. Credit should go to
Boland, R.J.\textsuperscript{145}, for sparking off an awareness of the human side of mergers and the importance of integration, by his article in 'Personnel' in 1970 - "Merger Planning: How much Weight do Personnel factors carry?". In the same year Howell, R.A.\textsuperscript{146}, published "Planning to Integrate your Acquisitions", in Harvard Business Review. Thereafter the issue witnessed a lull with only one publication each in 1980 and 1982.

Interest surged once again from 1983 onwards. At the 1983 meeting of the Academy of Management in Dallas, Texas, Buono and Bowditch\textsuperscript{147} presented a paper entitled "When Cultures Collide: The Anatomy of a Merger". Much to the academicians' surprise, Philip Mirvis and Amy Sales\textsuperscript{148} of Boston University were presenting an almost identically titled paper, "When Cultures Collide: The case study of a Corporate Culture". Thereafter the deluge began and 1985 to 1987 can be said to be the boom in merger literature with 12 publications in each of the 3 years with almost similar titles.

A study conducted over three years ending in 1993 in the United Kingdom\textsuperscript{149} examined the relationship between combining organizations' culture types and their post-merger/acquisition performance. The subject organizations were drawn from a range of business sectors and varied in size from a small acquisition, involving an acquired workforce of just under 100, to a large merger involving several thousand employees. All the mergers, acquisitions and joint ventures were horizontal and involved wide-scale socio-cultural integration. Their overall success rate of 50% was typical of Mergers and Acquisitions.

Merger success is typically measured by various quantitative oriented indices such as managerial assessments, share price fluctuations, or profit
earnings ratios. In this study, success was primarily based on managerial assessments, although other behavioral indices, such as labour turnover rates, were also collected. Previous research has shown that irrespective of the indices used, merger and acquisitions failure rates were consistently around 50-60%.

Assessing the types of culture that integrate well and whether some are more easily abandoned and amenable to change than others was a goal of the research. Precombination assessments of the dominant culture type of the partnering organizations were compared with postcombination assessments of the emergent culture of the new “merged” organization. Post-cultural measures were taken, in most cases, approximately twelve to eighteen months post-acquisition.

Qualitative and Quantitative methods including observations, interviews, and questionnaires were used. In total, more than 170 formal interviews were conducted and 700 questionnaires were analyzed. Participants were predominantly senior to middle managers. The research also examined the way in which the merger or acquisition process was operationally managed, and the short and longer term response of the employees. Levels of organizational commitment, job satisfaction, employee stress, and mental well being were assessed at various points throughout the merger or acquisition facilitating intra and inter-organizational comparisons.

Lessons were learnt about what constitutes good or poor post merger/acquisition managerial practices. Most important, however, was discovering that the existing pre-combination cultures of the partnering organizations played
a fundamental role in determining merger/acquisition outcomes. Furthermore, it was found that these cultural dynamics were explicable and hence, potentially predictable, within the framework of social anthropological models of acculturation\textsuperscript{150} (Cartwright and Cooper, 1993)\textsuperscript{151}.

One analysis of mergers suggests that the degree of cultural integration sought after the merger should vary according to what capabilities the acquiring firm expects to gain after the merger.

\subsection*{2.2.6 Sub-Cultures}

Although organizational culture is often treated as a monolithic phenomenon, that is one culture to one setting, and although organizations are accepted as having distinctive cultures, it would be a mistake to think any particular organization has only a single homogeneous culture. As various scholars have observed most organizations have multiple culture (Riley, 1983\textsuperscript{152}; Louis, 1985\textsuperscript{153}).

While in a given firm there may typically be a dominant culture (i.e., the core values and norms that are shared by the majority of organizational members), small groups may exhibit sub-cultures; or the entire organization may not have a dominant culture at all; only sub-cultures, strong or otherwise weak.

Sub-cultures have the same elements that cultures have: distinct patterns of shared ideologies.
Earlier research and literature (England and Lee 1974\textsuperscript{154}, Schein 1980b\textsuperscript{155}, Knudsen 1982\textsuperscript{156}) on the analysis of social groups point to the existence of a ‘management sub-culture’ in organizations. ‘There is reason to believe that actual management behavior is based on norms that result in strategies for unilateral control of organizational events. People who become managers do so when they show evidence of having accepted the norms of management culture’ (Knudsen 1982)\textsuperscript{157}. While others (Hofstede 1980)\textsuperscript{158} have often implied a management sub-culture in their work. Tushman (1977)\textsuperscript{159} stated that understanding organizational behavior requires analyzing the sub-units of the organization and their relations with one another. More importantly, ‘Mergers and other factors breed countercultures that resist and even oppose the dominant cultures in organizations’ (Trice and Beyer, 1993)\textsuperscript{160}.

The above suggests that sub-culture study should be formally accounted for in a research design exploring culture.

A review of the literature suggests that subcultures arise out of occupations, hierarchy or departments. ‘...divisions, plants, departments, and so forth may have cultures that are distinct from that of the larger group (Buono and Nichols, 1985\textsuperscript{161}; Martin and Siehl, 1983\textsuperscript{162}, Wilkins, 1983\textsuperscript{163}). The literature also suggests that the sub-cultures share some common ideologies with the dominant culture. Certain researchers have also sought to establish a relationship with the presence of a dominant culture to a successful organization and the presence of sub-cultures to an unsuccessful organization. But the area is only partially explored.
2.3 Organizational Effectiveness (OE)

In a merger or an acquisition, where the intention is almost always to increase the effectiveness of the combined organization, it has been a paradox that the combined Organizational Effectiveness increases little or not at all; in fact it has in most cases even fallen. Hence, it is imperative to look at Organizational Effectiveness in a post merger scenario.

It has been frequently opined that the reason for this low effectiveness is that, a merger or acquisition can significantly and abruptly disrupt the bonds between an organization and its members. Subsequently, a sharp divergence between what workers expect and the realities they encounter can lead to higher levels of dissatisfaction and less effective work outcomes (Lawler and Porter, 1967)\(^{164}\).

The concept of Effectiveness refers to an organization’s ability to exploit its environment in the acquisition of scarce resources (Seashore and Yuchtman, 1967)\(^{165}\). An Effective organization is one that has achieved a relatively better position in an environment it shares with others, rather than the hypothetical “best” position (Aldrich, H., 1979)\(^{166}\). Dubinskas (1988)\(^{167}\), in a study of a genetic engineering firm suggests that the culture of an organization can substantially influence its functioning. Hence, effectiveness must be studied in relation to the underlying culture of the organization.

Besides, little systematic research - quantitative or qualitative - exists on the impact of culture on organizational effectiveness (Rousseau, D.M., 1990)\(^{168}\).
Research on OE is paradoxical. The tendency for it to be one of the most central concepts in the field coexists with an irritation with the fruits of decades of research which has led to calls for the abandonment of OE studies (for example, Goodman and Associates, 1983). While conflicting research approaches and an absence of a coherent theory have contributed considerably to some of the dissatisfaction with OE research, methodological issues have played an important part (Bryman, 1989).

First, a variety of models exist, none of which agree on a common approach. The two most commonly cited models are the goal and system resource approaches (Price, 1972). The former construes OE in terms of the degree to which the organization achieves its goals, the latter in terms of the organization's degree of success in extracting scarce and valued resources from the environment.

Second, there is a vast array of different indicators of OE. Campbell (1977) cites thirty indicators: overall effectiveness, productivity, efficiency, profit, quality, accidents, growth, absenteeism, turnover, job satisfaction, motivation, morale, control, conflict/cohesion, flexibility/adaptability, planning and goal setting, goal consensus, internalization of organizational goals, role and norm congruence, managerial interpersonal skills, managerial task skills, information management and communication, readiness, utilization of environment, evaluations by external entities, stability, value of human resources, participation and shared influence, training and development emphasis, and achievement emphasis.
Third, the nature of the indicators varies considerably. Also, there is little theoretical rationale for the indicators used. Consequently some observers have expressed concern that much OE research has failed to develop a theory of OE, and that many investigations are undertaken in an ad hoc manner (Goodman and Associates, 1983)\textsuperscript{173}.

Lastly, researchers often use only one indicator of OE, which is unsatisfactory for such a broad concept. Besides what is distinctively absent in most research is the elucidation of organizations' own notions of OE (Bryman, 1989)\textsuperscript{174}.

The many criteria that have been used to assess organizational effectiveness can be classified into three broad categories (see Cameron, 1986\textsuperscript{175}; Campbell, 1977\textsuperscript{176}; Kanter & Brinkerhoff, 1981\textsuperscript{177}). They are as follows: Output-Goal criteria corresponding to the targets towards which organizational members work; the internal system state, that can contribute to attaining output goals, like efficiency or employee satisfaction. These can be viewed as desirable states or as indicators of some global state of organizational ‘health’ (Bechhard, 1969)\textsuperscript{178} that facilitates coping with organizational challenges; and, lastly, the adaptation and resource position criteria, which deal with the competitive and strategic position, the adaptiveness, the fit and the innovativeness of the organization. This classification seems exhaustive and practical.
2.4 Mergers and Acquisitions and Cultural Change

Mergers and acquisitions mean crisis and crisis means cultural change. 'In virtually all our case studies some form of crisis was the instigator of cultural changes (Williams et. al., 1989)\textsuperscript{179}.

Since M & A can readily change the nature and character of the organizations in question, they can be usefully conceived of as a form of organizational transformation, a process of large-scale change characterized by a high level of complexity, multiple transitions, uncertain future states, and long-term time frames (Kilman et. al., 1988)\textsuperscript{180}.

Once the intention to merge with or acquire is announced, change is inevitable, and normal business processes and activities begin to breakdown as a period of tumult sets in (Darlin and Guiles, 1984\textsuperscript{181}, Wells and Hymowitz, 1984\textsuperscript{182}).

From a diagnostic perspective, the expectations of organizational members are a strong indicator of an organization's readiness for change (Pond, Armenakis, and Green, 1984)\textsuperscript{183}. Information on employee expectations can be obtained through surveys and interviews and is critical for alerting managers about the change efforts (Buono and Bowditch, 1989)\textsuperscript{184}.

Following a merger or acquisition, a complex set of organizational, managerial, and personal changes is inevitable (O'Boyle and Russell, 1984\textsuperscript{185}; Wells and Hymowitz, 1984\textsuperscript{186}). Such major transformations in economic systems, bringing with them a wholesale across-the-board changes in the form
of economic enterprises, require a change in the Ideologies of management if the new form is to survive (Aldrich, H., 1979)\(^7\).

For an organizational transformation to be successful, there must be a widespread acceptance of the need for change at all levels in the hierarchy. For organizational members to develop sufficient commitment to the change, there must be a discontinuity with the past and a process of 'letting go' of it. There must be a departure from old beliefs and habits. In essence, this requires a reframing process that attempts to create or discover new opportunities in and for the organization, a shift in the perceptions of organizational members, and the emergence of a new direction that is qualitatively and quantitatively different from the old (Buono and Bowditch, 1989)\(^8\).

In one sense, cultural change in M & A can be thought of as a process where two firms face an adaptation of cultural traits. Depending on the chosen strategy of integration, employees of different combinations experience varying degrees of cultural conflict.

Three factors identified as likely to affect cultural persistence are: the fluidity of current ideologies, members' commitment to them, and the availability of alternative ideologies (Wilkins & Dyer 1988)\(^9\). The greater the fluidity and availability of alternatives, and the lower the members' commitment, the easier it will be to effect cultural change" (Trice & Beyer 1993)\(^10\).
A key factor in both the effectiveness and success of organizational culture change efforts in M & A, is the propensity of individuals to accept the change, or to acculturate. The degree to which members of an acquired firm or a merger partner want to preserve their identity and culture and the extent to which they are attracted to the acquiring or merging firm appear to influence both the process and the outcome of the culture change effort (Malekzadeh and Nahavandi, 1987; Nahavandi and Malekzadeh, 1988; Sales and Mirvis, 1984).

2.4.1 Culture change - Definition and interpretation

The literature survey on culture change reveals that 'Change' can be interpreted in two ways: one, the incremental change and the other, the planned change. The difference is essentially between 'Cultural maintenance' and 'Cultural innovation'.

Cultures being dynamic entities, naturally give rise to all kinds of incremental changes. Moreover attempts to maintain a culture type also involves some adjustments in ideologies that could be considered changes. But the literature reveals that it is the planned change or the cultural innovation that most experts and researchers and practicing managers refer to, when they say 'cultural change'. To them 'Cultural Change' entails something new and substantially different from what prevails in existing cultures. It means something more deliberate, drastic, and profound than incremental changes or cultural adjustments.
As Trice and Beyer (1993)^{194}, put it, 'We will reserve the term cultural change to refer to planned, more encompassing, and more substantial kinds of changes than those which arise spontaneously within cultures or as a part of conscious efforts to keep an existing culture vital. Culture change involves a break with the past; cultural continuity is noticeably disrupted. It is an inherently dis-equilibrating process'.

On the positive side, other analysts suggest culture change is, '...real changes in the behavior of people throughout the organization. In a technical sense we mean people in the organization identifying with new role-model heroes....asking different questions and carrying out different work rituals (Deal and Kennedy, 1982)^{195}.

In three case studies (Williams et. al., 1989)^{196}, culture change by the organizations was strategy driven. None of the organizations set out to change their culture for the sake of it. Important among their findings was the observation that culture change did not occur in a vacuum, but was linked to Organizational Effectiveness via strategic planning. 'In planning cultural change organizations need to consider not only how to change the culture of the organization, but also how to link the change with organizational goals and effectiveness'.

### 2.4.2 Pace and amount of change

While there may be a consensus that change is a reality of merger and acquisition activity, there is considerable disagreement about the pace and
amount of change that should occur. It is also important to realize that change in and of itself is often associated with anxiety, tension, and resistance. As highlighted by Lewin (1947), which continues to serve as the basic foundation for most organizational change models, successful change efforts occur in three basic stages: 1) the present set of relevant attitudes, values, and behaviors have to be "unfrozen" 2) the desired changes implemented and 3) "refreeze" them in the new state.

The literature on organizational change has arrived at some conclusions. One of them which is a common theme in recent literature is that of attempts at change frustrated by organizational resistance (March, 1981). There are well documented occasions on which organizations have failed to respond to change initiatives or have changed in ways that were, in the view of some, inappropriate (Nelson and Yates, 1978). Not only is the resistance to change emphasized, but also the fact that organizations change in response to their environment, but they rarely change in a way that fulfills the intentions of a particular group of actors (Attewell and Gerstein, 1979).

2.4.3 Reactions to change

Barnes (1967) suggested that individual responses to organizational change may be classified on the basis of whether an advocacy or resistance to change is accompanied by reasoned or emotional behavior.

In the case of a merger or an acquisition, members at all levels of the hierarchy of an acquired organization often feel that it is being plundered, exploited, and occupied (Jones 1983). They frequently react with anxiety,
paranoia, and hostility toward the acquiring firm. At the same time the acquirer is concerned to establish clear controls and instill its own cultural values in its employees. Thus, various new forms of scrutinizing are introduced by the acquirer (Jones 1983)\(^{203}\), and the acquirer’s top management group is removed (Pfeffer 1981)\(^{204}\). One latent reason to get rid of such executives is to forestall the possibility of potent subcultures by removing their potential leaders.

Mergers, acquisitions, and related divestiture activities are taken for granted. Although this activity has stimulated numerous debates of the merger mania, the impact and costs for the individuals caught up in the change—the employees and managers at all organizational levels—have largely been ignored. Culture clashes can emerge in organizations during the post-merger integration period, and problems manifest themselves as communication breakdowns, a “we-they” mentality between the component organizations in a merger, lowered commitment, drops in productivity, organizational power struggles and office politicking, and loss of key organizational members. As a result, efforts to impose seemingly rational requirements for effecting organizational, procedural, and other merger-related changes may be resisted because of threats to the existing cultures (Buono and Bowditch, 1989)\(^{205}\).

Regarding the time period for the changes in culture, the literature is inconsistent. Searby (1969)\(^{206}\) suggests changes should be immediate, upon consummation of the merger. Barrett (1973)\(^{207}\) argues for a phased approach, with the first three to six months used to retire or replace managers whose skills are no longer compatible with the merged firm’s goals and the second 3-
6 months used to adjust human resource policies. But, ultimately the type of the acquisition matters.

Based on the pervasiveness of the change and the speed of change efforts, reactions to the culture changes effected also differ. These changes that pervade the entire organization at a rapid speed is essentially a trauma and may produce rebellion. Gradual changes aimed at the entire organization, may create anxieties and uncertainties. But in the final analysis it is the gradual change targeted at specific sub-cultures that are the best, as it has a stable group to maintain the continuity, while at the same time providing role models for the group under transformation.

These ideas are exhibited in the following Table: 2.2

Table 2.2

Reaction to change efforts

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<th>Reaction</th>
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<td>When Change Is Fast</td>
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<td>Pervasiveness</td>
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<td>Entire Organization</td>
<td>Trauma</td>
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<tr>
<td>Specific Sub-cultures</td>
<td>Rebellion</td>
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The fast-all pervasive change:

Looked at from the perspective of reactions to the change efforts, in a post-merger scenario, change of the all pervading and fast paced type, is very
rare. Most organizations do not engage themselves in this sort of changes. It is too costly, exhausting, and unsettling for everyone (Trice and Bever, 1990)\textsuperscript{208}.

As they are inherently trauma creating, the performance of the organization falls dramatically and the merger is immediately termed as unsuccessful. In his classic guidebook for administrators, entitled ‘The Prince’, Niccolo Machiavelli (1967)\textsuperscript{209}, wrote, ’It must be considered, that there is nothing more difficult to carry out, nor more doubtful to success, nor more dangerous to handle, than to initiate a new order of things’.

The fast-targeted change:

Literature has enough instances of fast paced changes aimed at specific subcultures or groups within the organization. In culture change efforts, it is also important to realize that not all elements of a given culture will change at the same rate. Because of the resultant ‘culture lag’ (Ogburn, 1922)\textsuperscript{210}, cultural integration may be far from perfect. Thus, in mergers scenarios, where markedly different cultures are in existence, there is a very real possibility that people, in refusing to give up certain beliefs, values traditions, and priorities, will purposefully lag behind the rest of the organization in accepting the culture change (also see Mills, 1964)\textsuperscript{211}).

The gradual-all pervasive change:

Large-scale changes planned gradually have the potential for generating countercultures. De Tosqueville\textsuperscript{212} observed long ago that as people become more equal, they find the remaining inequalities harder and harder to tolerate.
Countercultures may develop as a way to handle and express severe, shared employee discontents.

The gradual-targeted change:

It is gradual changes that are targeted at specific subcultures that have success built into them. The objective of such efforts is to *influence the minority-culture perspectives about the core organization norms and practices* (Cox, 1991)\(^{213}\). The surrounding dominant culture tends over time to dilute the efforts of even the most determined alternative organizations... (Newman, 1980\(^{214}\); Rothschild-Whitt, 1979)\(^{215}\). Their dependence on the surrounding environment created deliberately by the change masters, creates the necessity to cooperate and coordinate their activities with it. In the process alternative organizations (sub-cultures) tend to grow towards the core organization (dominant group or expected cultural environment).

It is common knowledge that extreme views accompany the efforts to change culture in organizations. Some claim that it is practically impossible to change cultures deliberately. According to this argument, cultures are too elusive and hidden to be accurately described, managed or changed (Uttal, 1983)\(^{216}\). Other analysts imply that cultures can be readily manipulated, suggesting that managers can use direct, intentional actions to change their organization’s culture (Peters and Waterman, 1982\(^{217}\); Deal and Kennedy, 1982\(^{218}\); Kilman, 1982)\(^{219}\). A consensus seems to be emerging that the middle ground between these two viewpoints is realistic. Thus, both caution and optimism are warranted.
A survey of studies classified as ‘successful’, ‘less successful’ and ‘showing a success pattern, but containing less complete information’ was compiled by Larry E. Greiner (1967). Greiner reported an interesting inconsistency, from analyzing the major approaches used to introduce change. In the successful cases, it seems fairly clear that ‘shared’ approaches are used - i.e., authority figures seek the participation of subordinates in joint decision making. In the less successful attempts, however, the approaches used lie closer to the extreme ends of the power distribution continuum. None of the less successful change studies reported the use of a ‘shared’ approach.

In conclusion, we have to recognize that change is often necessary for survival. When the environment is undergoing fundamental changes, ‘the changing circumstances can push even a strong culture into poor alignment with its environment’ (Deal And Kennedy, 1982).

2.5 Integration

As a way of assuring M & A compatibility, most analysts have stressed the strategic fit between the merger partners (or the acquirer and its target) and the importance of ensuring overall strategic synergy (Ansoff et al., 1971; Salter and Weinhold, 1979; Jemison and Sitkin, 1986).

Following a merger or acquisition, some degree of interfirm integration - that is, blending of organizational components - is necessary (Schweiger and Ivancevich, 1987; Shrivastava, 1986).
Synergy in mergers and acquisitions requires coordination among the different units in an acquisition. This means that the organizations cooperate with and learn from one another, and therefore the study of corporate culture contributes to the understanding of integration (Campbell and Luchs, 1990).\textsuperscript{226}

Strategy theorists have begun investigating the acquisition process (Jemison and Sitkin, 1984)\textsuperscript{227} and the type of integration mechanisms adopted (Heany and Weiss, 1983)\textsuperscript{228}.

It has been suggested that the success of an acquisition is determined not by the acquisition choice itself but rather by the underlying development strategy (integration strategy) that is used to guide the process (Haspeslagh and Jemison, 1987)\textsuperscript{229}.

In this context, it is important to underscore the fact that different types of M & A may require different types of integration strategies.

Yet, many merger prescriptions tend to be sweeping generalizations, without consideration of the potential uniqueness of each combination (Buono and Bowditch, 1989).\textsuperscript{230}

As Lawrence and Lorsch, 1967\textsuperscript{231} put it, "Integration is defined as the process of achieving unity of effort among the various subsystems in the accomplishment of the organization's task. (Task is defined as a complete input-output-transformation cycle).

Ronken and Lawrence (1952)\textsuperscript{232} found that differences in assumptions (ideology) between groups were related to difficulties in achieving collaboration.
Miller (1959)\textsuperscript{233} suggested that as clusters of roles developed in relation to differentiated tasks, problems would result in achieving integration. Both Sherif (1958)\textsuperscript{234} and Seiler (1963)\textsuperscript{235} reported findings that indicate a relationship between the degree to which members of two groups share norms, values, and/or superordinate goals, and the ability of the two groups to cooperate.

Similarly, March and Simon\textsuperscript{236} indicated that differences in goals and in perceptions of reality could be a condition for intergroup conflict. On the basis of these prior studies it was predicted that cultural differentiation would lead to low effectiveness levels.

A common misconception about cultural integration in a M & A is that there must be a total assimilation of the different cultures for the combination to be successful (Buono and Bowditch)\textsuperscript{237}.

One of the underlying myths of post-merger integration is that, 'sameness is next to godliness' (Cox, 1981)\textsuperscript{238}.

In reality, post-merger situations for different companies, divisions, functional units, and so forth can range from total autonomy to total absorption, with a number of points in between (Jenster, 1987\textsuperscript{239}; Management Analysis Center, 1983\textsuperscript{240}).

Integration is not an "all or nothing proposition". Options range from full consolidation to near separation of the firms in a holding company model with various levels of "coupling" in between. The degree of integration is typically determined by the operational and financial synergies between companies. At
the same time, whatever level of integration is chosen has implications for the desired relationship between the two companies' management teams and the level of control exercised by a parent company (Mirvis and Marks, 1992).

Buono and Bowditch mention four main integration strategies as suggested by the American Bankers Association and Ernst and Whinney (1985). They are 1) Cultural pluralism; 2) Cultural blending; 3) Cultural takeover; and, 4) Cultural resistance.

One study described three degrees of integration: absorption, symbiosis, and preservation (Haspeslagh and Jemison, 1991).

As the label suggests the first type would find high levels of cultural integration. In such situations, management in the acquiring firm would be wise to “move as fast as possible” in integration efforts (Haspeslagh and Jemison, 1991).

If preservation is the strategy followed, the acquired firm should be granted more autonomy because such acquisitions are “essentially experiments and opportunities for learning” (Haspeslagh and Jemison, 1991).

A symbiotic integration requires “an adaptive attitude on behalf of both organizations” (Haspeslagh and Jemison, 1991). The main capabilities transferred in such mergers revolve around functional skills such as R & D, marketing know-how, and product design. Continual testing of the benefits of such transfers is required because the actual benefits may be quite different.
from those originally expected. Thus in symbiotic mergers, both cultures may be allowed to continue to exist until some degree of integration occurs (Trice and Beyer, 1993)247.

Integration and consolidation efforts are part of a lengthy process that can unfold over the course of several years (Quinn, 1980)248, and it is not always clear where, when, and how, integration changes should be made (Schweiger and Ivancevich, 1987)249.

Thus, in this chapter a brief review was made of the literature available on Mergers and Acquisitions, Organizational Culture, Organizational Ideologies, Organizational Effectiveness, Culture Change in Mergers and Acquisitions and Integration.
Endnotes


7. Schweiger and Ivancevich, op. cit.


17. Walter and Barney, op. cit.


32. Halpern, op. cit.

33. Ibid.

34. Jensen and Ruback, op. cit.


36. Napier, op. cit.


38. Napier, op. cit.


40. Napier, op. cit.

42. Lefkoe, Morty. (July 1987). Why so many mergers fail. Fortune, 20

43. Ibid.


49. Buono and Bowditch, op. cit.

50. Hayes, op. cit.


60. Warner, M. Cross-Cultural Management in the 1980s: An Epilogue, Research on cross-cultural Management (4


63. Roethlisberger and Dickson, op. cit.


73. Barley, op. cit.


80. Smircich, op. cit.


98. Buono, et. al. op. cit.


100. Triandis, et. al. op. cit.


102. Harrison, op. cit.


104. Harrison, op. cit.


110. Trice and Beyer, op. cit. p. 45.


114. Trice and Beyer, op. cit., p.45.


118. Trice and Beyer, op. cit.


122. Deal and Kennedy, op. cit.


126. Hofstede, op. cit.

127. Graves, Desmond. (1986). *Corporate Culture: Diagnosis and change: Auditing and changing the culture of organizations*. Frances Pinter (Publishers), London.


130. Harrison, op. cit.


133. Cartwright and Cooper, op. cit.

134. Harrison, op. cit.

135. Handy, op. cit.

137. Trice and Beyer. op. cit., p 43.


140. Buono et al., op.cit., p 479.

141. Buono et al., op. cit.


148. Sales and Mirvis, op. cit.

149. Cartwright and Cooper, op. cit., p.60.

150. The process of 'acculturation' in M & A is typically conceived of as 'changes induced in (two cultural) systems as a result of the diffusion of cultural elements in both directions' p. 215 of Berry, T.W. (1980). Social and Cultural Change in H.C.Triandis and R.W.Brislin (eds.) *Handbook of cross-cultural psychology*. 

151. Cartwright and Cooper, op. cit., p. 61

152. Riley, op. cit.

153. Louis, op. cit.


158. Hofstede, op. cit.


160. Trice and Beyer, op. cit.


173. Goodman and Associates. op. cit


176. Campbell, op. cit.


179. Williams et al., op. cit.


184. Buono and Bowditch, 1989., op. cit., p 120


186. Wells and Hymowitz, op. cit.


190. Trice and Beyer, op. cit., p.18.


193. Sales and Mirvis, op. cit.


196. Williams et. al., op. cit., p.67.


203. Ibid.

205. Buono and Bowditch. op. cit.


208. Trice and Beyer. op. cit.


218. Deal and Kennedy, op. cit.


Those reporting 'successful' organizational changes include:


5. S.E.Seashore and D.G.Bowers, Changing the structure and Functioning of an Organization, Ann Arbor, Survey Research Centre, The University of Michigan, Monograph No 33, 1963.


Those studies reporting ‘less successful’ change patterns:


222. Salter and Weinhold, op. cit.

223. Jemison and Sitkin, op. cit.


227. Jemison and Sitkin, op. cit.


238 Cox, op. cit., p. 298.

239 Jenster, op. cit.


244 Ibid., p. 158.

245 Ibid., p. 159.

246 Ibid., p. 160.

247 Trice and Beyer, op. cit., p. 246.


249 Schweiger and Ivancevich, op. cit.

250 Deal and Kennedy, op. cit., p. 159.