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# **A Marriage of Cultures**

A qualitative case study of cultural integration  
in the pre-stage of a merger

by

**Matilda Gerhamn**

**Klas Johansson**

**Supervisor**  
Anna Jonsson

**Examiner**  
Katie Sullivan

# Abstract

**Title:** A Marriage of Cultures - A qualitative case study of cultural integration in the pre-stage of a merger

**Authors:** Matilda Gerhamn & Klas Johansson.

**Supervisor:** Anna Jonsson.

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**Keywords:** Mergers and acquisitions, cultural integration, pre-merger, organizational cultural change.

**Aim:** The aim of this thesis is to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes.

**Research Question:** How is cultural integration managed in the pre-merger stage and how is this perceived by employees?

**Methodology:** Through an interpretative epistemological approach we developed a qualitative case study, where we simultaneously worked with theory and empirical material through an abductive approach. We collected our findings by performing document analysis, and by conducting semi-structured interviews with eight employees at our case company.

**Theoretical framework:** In our theoretical framework we combine research regarding culture and organizational culture change together with research regarding culture in the context of mergers and specifically the cultural integration process.

**Contributions:** From this study we can conclude that how the cultural integration process is facilitated for and managed in the pre-merger stage has significance for how the employees accept and understand the cultural integration. In addition we have with our study been able to contribute to the research field of mergers and acquisitions by presenting a case study where we can conclude that both the pre- and post-merger stage as well as both strategic management school and organizational behaviour school have an interconnected significance for the merger outcome.

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We hope you as a reader find this thesis interesting and stimulating to read. Enjoy!

Matilda Gerhamn & Klas Johansson

Lund, 19th of May 2017

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# 1. Introduction

The globalization means that corporate environments are changing at a rapid pace. In order to survive there is high pressure on organizations to find innovative ways of gaining more leverage and competitive advantage. A popular strategic mean for companies to gain these advantages has for a long time been through mergers and acquisitions. A successful merger can generate larger market shares, reduced financial risk and create synergies, hence it is clear why mergers are a popular strategic alternative in today's corporate society. Nonetheless, despite its continuing popularity, the merging firms often have difficulties utilizing the potential synergies and thereby they also have a high tendency to fail (Lipponen, Olkkonen & Moilanen, 2004; Schraeder & Self, 2003).

The reason for the high failing rate has been researched and debated by both academia and the media (Friedman et al., 2016). A considerable amount of the existing literature has focused on explaining the failures with regards to financial factors, strategic incompatibility, ineffective post-merger integration of the firms, and cultural differences (Friedman et al., 2016; Lipponen, Olkkonen & Moilanen, 2004; Nahavandi & Malekzadeh, 1988).

Researchers within the strategic management school argue for the importance of 'strategic fit' in order to avoid merger failure. The concept of strategic fit suggests that a strategic match between the merging companies can create desirable synergies and thereby value for the organizations. Thus it is important for companies to carefully evaluate the strategic fit in the pre-merger stage before deciding to enter into a merger (Harvey & Lusch, 1998; Horwitz et al., 2002). Nonetheless, the research field still struggles to find a consistent relationship between synergy potential from strategic fit and successful merger outcomes (Sarala et al., 2014; Weber & Tarba, 2012).

An example of the limitations of strategic fit is the merger between Daimler and Chrysler in 1999. Cartwright and McCarthy (2005 cited in Mendenhall & Stahl, 2005) describe that when Daimler and Chrysler merged, it was considered to be the perfect

strategic fit, with great synergy potential. Yet, after two years, the value of the companies had decreased to levels lower than before the merger, with a constrained relationship between the two management teams. The integration of the two different companies showed to be more complex than expected and similar cases like this has lead researchers to note that the lack of focus on culture in mergers might be a reason for the failures (Horwitz et al., 2002; Weber & Tarba, 2012; Angwin, 2001). Some researchers therefore note that incorporating culture in the due diligence process and ensure ‘cultural fit’ between merging firms in the pre-merger stage might be the main success factor for the overall merger performance (Angwin, 2001; Gomes et al., 2013; Horwitz et al., 2002; Weber & Tarba, 2001). Cartwright and Cooper (1993 cited in Schraeder & Self, 2003) and Angwin (2001) share this understanding and debate that cultural fit is just as important as structural fit in the pre-merger stage and that the expected financial synergies from a merger are often unsuccessful as a result of the misfit between the different organizational cultures.

On the other hand, Lodorfos and Boateng (2006) reason that cultural fit is no guarantee for a successful merger and Gomes et al. (2013) argue that there is an overemphasis on the role of both strategic and cultural fit in the pre-merger stage, at the expense of focus on cultural integration in the post-merger stage. In cultural integration, the aim is to pick the best of both cultures and combine the existing cultures of the merging firms into a new one (Applebaum et al. 2001; Marks & Mirvis, 2011) According to Bijlsma and Frankema (2001), in merging organizations there is a risk of establishing ‘them-versus-us’ feelings amongst the employees, which may restrain the success of the merger unless managed properly. Therefore, as several researchers claim, focusing on cultural integration in a post-merger stage has shown to be important in order to avoid such a cultural clash, succeed with a merger and gain the intended synergies (Bijlsma & Frankema, 2001; Sarala et al., 2014; Schraeder & Self, 2003; Zaheer, Schomaker & Genc, 2003).

Nonetheless, Sarala et al. (2014) reason that the role of cultural integration in mergers is not yet fully understood and there is therefore a need for further theoretical development. In addition, a lot of the existing research on cultural integration has focused on the post-merger stage (Angwin et al., 2014; Nahavandi & Malekzadeh, 1988). Consequently, we see the need to further explore cultural integration from

perspectives that have received scarce attention, such as the pre-merger stage. Therefore, *the aim of this thesis is to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes.*

As illustrated by Applebaum et al. (2000), the unique aspect of the pre-merger stage is that it is exclusively preparatory and inherent with uncertainties for the employees, since it most often incorporates new work tasks, colleagues, and a different culture to adapt to as well as the risk of layoffs. The preparations in this stage are therefore, according to Tetenbaum (1999), a make it or break it factor. Marks and Mirvis (2011) in addition argue for the importance of management having a clear idea of the preferred cultural outcome before the actual merger is implemented. Through clarifying the desired cultural outcome in the pre-merger stage, management can provide some behavioural anchors for the employees and ease the ambiguity of the merger. Consequently, how management prepares the organization in the pre-merger stage will be central to the merger process (Angwin et al., 2014; Applebaum et al., 2000; Buono & Bowditch, 2003).

Based on the above-mentioned points, we can see that there is an extensive body of research trying to explain the high failure rate in mergers and what factors are crucial to consider in order to facilitate for a successful merger. Yet, it is also visible that it is still difficult to find a clear understanding of why mergers fail or succeed. Researchers posit that this might stem from both an overemphasis on strategic and cultural fit in the pre-merger stage and on cultural integration in the post-merger stage (Angwin et al., 2014; Appelbaum et al., 2000; Gomez et al., 2013; Nahavandi & Malekzadeh, 1988), without any regards to the interconnection between the different stages (Marks & Mirvis, 2011).

As illustrated, research has argued for the importance of preparing employees for changes and that what occurs in the pre-merger stage will have a substantial effect on the merger outcome. However, scarce attention has been given to the importance of managing cultural integration already in the pre-merger stage and how employees understand and accept the cultural integration. Consequently, we see the need for

further theoretical development in the field of mergers and acquisitions in regards to cultural integration in the pre-merger stage and the questions we pose is therefore:

*How is cultural integration managed in the pre-merger stage and how is this perceived by employees?*

In order to answer this question, we will in this thesis explore how the newly merged company Swebre managed the cultural integration in their pre-merger stage and how this was perceived by the employees. We believe that this merger of nine different companies creates a complexity in regards to culture, where the pre-merger management of cultural integration may have had significance for the merger outcome and the employees understanding and acceptance of the cultural integration. Therefore, it is interesting in our study to further examine how the cultural integration in this particular context and stage of the merger was managed and how employees perceived the process. We see the possibility of our findings creating a more coherent image of the cultural aspects in mergers and contribute with useful insights in the still fragmented field of merger failures.

## **1.1 Outline of the Thesis**

This thesis is structured into six main chapters, which are the *introduction, theoretical framework, methodology, analysis, discussion* and lastly *conclusion, implications and future research*. As shown in the first chapter, we provide the reader with background to our problematization as well as introduce our aim and research question. In chapter two we move forward by describing why we adopted our chosen method and how we have conducted our study. In addition, we discuss reflexivity and the ethical principles that have been maintained throughout the study. Following the presentation of our methodology, we move on to the theoretical framework, which is later used in our discussion of the empirical material and analysis. We first explore the phenomenon of culture and present theories regarding organizational culture change as well as review the difficulties that can occur when intending to change an organizational culture. Further, we continue the theoretical framework with a demonstration of theories regarding culture's influence in the context of mergers and especially the cultural integration process. In chapter four we present and analyse our

empirical material in order to understand how the cultural integration process was managed in the pre-merger stage at Swebre, hence the structure of this chapter correspond with our research question. The empirical findings are later in chapter five discussed together with our theoretical framework. Finally, in chapter six we summarize and present our conclusions from the previous chapters. Subsequently, we display the theoretical contributions and managerial implications that we have offered through this study, as well as give suggestions for future research.

## **2. Methodology**

In order to be able to conduct our research and answer our research question, it is important that we use the correct methodology. Methodology incorporates elemental questions of how to conduct either quantitative or qualitative research and the implications this might have for the outcome of the study, e.g. the objectivity and subjectivity of the study (Bryman, 2008). Since our aim of this study is to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes, qualitative research is most suitable. Qualitative research is, in general, interpretative and Prasad (2005) reasons that qualitative research methods should be applied in research where it is relevant to reach a deeper understanding of the research subjects' complexity, thoughts, and ideas. The descriptions and answers to the research questions are possible to reach by choosing the most appropriate methodological approach and design for the study (Prasad, 2005). Further on in this chapter, we will explain our research approach and how we have conducted our study.

### **2.1 Research Approach**

In order to answer our research question, we needed to consider our research epistemology. According to Bryman (2008), the philosophical assumptions have practical implications for how the research design is conducted and establishes how knowledge about the topic is gathered. In our study, we sought to find a deeper knowledge of the phenomenon of cultural integration in the pre-stage of a merger process, through our research subjects' understandings, hence our epistemological approach held for this study was interpretive. The interpretative approach will facilitate for finding knowledge in the social context as it is constructed by the subjective humans, where values and theory-laden pre-understandings affect the interpretation of the reality (Bryman, 2008; Alvesson & Sköldbberg, 2009).

Qualitative research is often criticized for the results not being repeatable or that the accuracy of the results can not be verified (Bryman, 2008). Nonetheless, our aim with the research was not to unravel objective truths about how cultural integration can be managed in a pre-merger stage or conduct final theories of how to succeed with

mergers. We did however aim to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes. Hence, embracing an interpretative research tradition is most suitable for our study. Unlike the positivist perspective where there is a belief in an objective reality with the possibility to see cause-effect relationships, interpretivists believe in a socially constructed reality. In the interpretative research tradition, it is more about knowing what and how the actors in a particular social world know, see and understand their reality (Bryman, 2008) and the human interpretation is the start of all knowledge creation in the social world (Prasad, 2005). Thereby, since the interpretations and understandings of humans are constantly changing (Alvesson & Sköldbberg, 2009) we are aware that our study only will describe and interpret ours and the employees at Swebre's current perceptions in a particular context.

## **2.2 Research Design**

As mentioned, our methodology is based on ideas of how the world is understood and known, which also influences how our research design is conducted. Since we take an interpretative approach and based on our aim, it is important to see the relationship between existing literature on the subject and our empirical findings. Therefore, we chose to use an abductive approach in our research, where according to Alvesson and Sköldbberg (2009) the researcher moves from observations to theory, which then accounts from the observation in order to find the most likely explanation for a question, event, or phenomenon. This movement is based upon a hermeneutical approach, where the researchers and interviewees pre-understandings influence the language, interpretation, and behaviour during the study (Alvesson & Sköldbberg 2009). Our approach is therefore aligned with what Alvesson and Sköldbberg (2009) acknowledge as alethic hermeneutical outset, as the abductive approach allows us to move between our previous observations or pre-understandings of the subject and the theory and observations collected through the interviews and document analysis.

### ***2.2.1 Case***

In order to reach the deeper understanding of our aim, we have chosen to conduct a case study, which according to Yin (2007) gives the researchers the possibility to collect varied empirical material and reach a deep understanding of a phenomenon. A

case study is a research strategy that constitutes the different research designs, which are relevant for a study, for example, choice of method to collect empirical material and plan for analysis (Yin, 2007).

The case chosen for our study is the newly merged company Swebre, operating in the transportation and service industry. The name Swebre is a pseudonym and will be used throughout this thesis in order to ensure the anonymity of the company and its employees. In February 2016 the new company and brand, Swebre, was announced to the public. The company was created through the merger of nine different companies who had previously shared a few shareholders and operations, but decided to merge in order to act under the same organizational structure, management, and brand name. Although the pre-merger companies still act in their old local area with the same office as before, the objective with the merger was to bring the companies together and to be perceived as one single company, both by employees and customers in order to gain larger market shares and create synergies. The integration of the organizational cultures, communications, and 1100 employees was planned to be done by implementing new values, a new shared vision, as well as a new organizational culture.

### ***2.2.2 Document Analysis***

As a starting point for our case study of Swebre, we chose to perform a document analysis in order to reach a broader knowledge of what was officially communicated to the employees in the companies in the pre-merger stage. According to Bowen (2009), document analysis is a systematic approach for evaluating and interpreting documents with the purpose to gain understanding and is often used in combination with other methods as a means of triangulation, to be able to see patterns and convergent themes in the empirical material (Bowen, 2009). The documents that were analysed in the case study were 190 pages of educational material, communicated to employees through PowerPoint presentations. They were developed by top management at Swebre to be used in workshops and at meetings, with the purpose to educate and prepare the employees and managers for the merger. Through performing our document analysis before we conducted the interviews, we were able to gain a general understanding of what kind of activities were performed by management to

the employees in the pre-merger stage. Thereby, the document analysis made it possible for us to acquire more from the later conducted interviews as well as the possibility to see correlations or fragmentation in the empirical material. The documents were written in Swedish hence the quotes presented in the analysis have been translated into English. Thereby they have in some cases been modified in order to make them more understandable and easier to read in English.

The analytical procedure of a document analysis involves finding, selecting, appraising and synthesizing the data found in the documents (Bowen, 2009). Bryman (2008) notes that the documents need to be examined through four criteria before it can be considered being a part of the research and analysis. Throughout the study, we have therefore carefully examined all the documents through these criteria, which according to Bryman (2008) consist of how meaningful and authentic the documents are and the credibility and representativeness of the documents. Hence, we have focused on the fact that the documents need to be clear and understandable as well as genuine in regards to authorship and we have examined if the documents have been distorted in some way and if any limits can be drawn from the documents.

### ***2.2.3 Interviews***

After interpreting what the top management team intended to communicate and achieve through the educational documents, we aimed to get a deeper understanding of how Swebre had managed the cultural integration in the pre-merger stage as well as to reach the employee's perceptions of the cultural integration process. In addition to our document analysis, we therefore conducted interviews with eight employees from Swebre. In order for us to be able to capture the employees' understandings of how the merger and the organizational culture had been managed in the pre-merger stage, we chose interviewees who were employed at one of the pre-merger companies and been a part of the whole merger process.

Interviews are in qualitative case studies a central source in order to obtain the empirical data needed to be able to understand the phenomena being studied (Prasad, 2005). There are different types of interviews in qualitative research with different levels of structure (Bryman, 2008). In our thesis, we chose to use semi-structured

interviews in order to collect our needed empirical material. Kvale (1996, p. 5-6) defines semi-structured interviews as “an interview whose purpose is to obtain descriptions of the life world of the interviewee with respect to interpreting the meaning of the described phenomena”, which corresponds with the aim of this study. The interviews lasted between 45 - 80 minutes and the course of the interviews was lead by prepared themes of questions in an interview guide. The questions were asked without any explicit sequence in order for the conversation to flow more naturally and able us as interviewers to ask follow-up questions. The interviews were held in Swedish and later translated to English after being transcribed. Thereby in some cases the quotes presented from the interviews has been modified in order to make them more understandable and easier to read in English.

### ***2.2.4 Sample***

The sample chosen for collecting our empirical material is a nonprobability sample, due to the fact that we have chosen our interviewees in a definite way. The interviewees have been chosen based on the relevance their contributions have to the study, hence we have used a targeted selection. A targeted selection can not constitute a generic result and therefore it is only representing the current perceptions and results (Bryman, 2008). In this study, we have adapted chain sampling and convenience sampling, which is categorized as a type of nonprobability sampling. Bryman (2008) describes a chain sampling, as when the researcher initially contacts a smaller amount of people, who then can connect the researcher with other contacts. We had approximately three weeks to conduct the interviews, therefore our contact person put us in contact with employees that were available during that time and who were suitable for our study. The interviewees are employees within different departments and hierarchical levels of Swebre, who had also previously been employed in one of the different companies prior to the merger. This kind of selection is coherent with Bryman’s (2008) view of a convenience sample, where the researcher uses people who currently are present and available to the researcher.

## **2.3 Data Analysis**

In order for us to be able to examine our material in a systematic way, we analysed our empirical findings by coding our transcribed interview material and our document

analysis into general themes. The coding was done by looking for metaphors, similarities, and differences in the material, as suggested by Ryan and Bernard (2003). After the general themes were mapped out we were able to construct sub-themes that helped us understand and see correlations and fragmentation in our findings. We continuously tried to link our discovered themes to each other as well as to our research question. The discovered themes came from our empirical material yet also from our preceding theoretical understanding, as supported by our abductive approach. Thus, the starting point for our analysis was an empirical base, grounded by theoretical pre-understandings and the themes were gradually developed, adjusted and refined during the process. We also tried to look beyond the empirical material in order to avoid being too naive in our interpretations, which will be furthered discussed in the next section.

## **2.4 Reflexivity**

In our study, we have continuously aimed at following the rules and guidelines that exist in qualitative research. According to Patel and Davidson (2010), it is almost impossible for a researcher to be completely objective when conducting qualitative research because the ideas and conceptions of the researcher will affect the theories that are being produced (Patel & Davidson, 2010). Hence, we have continuously reflected on how our own perceptions regarding organizational culture and change have affected the reliability of the study.

Starrin and Svensson (1994) discuss the difficulty in coding and creating themes in the analysis process. The themes can easily become products of the researcher's own perception and it is therefore important for the researcher to keep this in mind during the coding process. In order to minimize the effect of our own personal perceptions in the study, we have aimed at making ourselves aware of our own perceptions and keep them in mind during the interviews and document analysis, as well as when coding and analysing our empirical material. This has been done through constantly discussing our perception regarding each theme that comes up as well as questioning and re-evaluating our interpretations.

Since we have used convenience sampling in our study, it is possible that the reliability of the study has been affected by the contact person's selection of interviewees. It is feasible to assume that these are people the contact person agrees with and it is thereby likely that they have similar values and perceptions. In addition, we are aware that the interviewees might have answered our questions in accordance with how they think we want them to answer or in a way that is expected by them from the organization. In order to avoid this situation, we told the interviewees that our purpose of the study was to get a deeper understanding of culture in the pre-stage of a merger process, however we did not specifically talk about cultural integration in order for the employees to be more free in their thoughts and reflections of the pre-merger process. Furthermore, we asked the interviewees to give concrete examples in their answers. Additionally, we have also interpreted what is not being said in the empirical material, thereby, we are not just accepting the interview responses or documents without critically reflecting on the material.

## **2.5 Ethical Principles**

Through our research, we have extensively followed the ethical principles for collecting our empirical material. It is important to consider these principles when conducting a study in order to secure that the study will not harm our case company or any of the interviewees participating in the study. The principles entail ensuring the voluntary participation, confidentiality, informed consent and anonymity (Bryman, 2008). Prior to the interviews, we assured that we informed our interviewees of the purpose of the study and that their participation was voluntary and could be ended at any point. Additionally, before the interviews were conducted, the interviewees were informed that they had the possibility to be anonymous. We have treated the interviewees' personal information confidentially by only using the empirical findings for the purpose of this study as well as removed names, titles and pronouns to ensure the anonymity of our interviewees.

## **3. Theoretical Framework**

In this theoretical framework, we first explore the phenomenon of culture and present theories regarding organizational culture change as well as review the difficulties that can occur when intending to change an organizational culture. Further, we continue the theoretical framework with a demonstration of theories regarding culture's influence in the context of mergers and especially the cultural integration process.

### **3.1 Organizational Culture**

There are a variety of definitions of culture, yet, it is usually referred to as ways of thinking, values, and ideas, rather than something objective and tangible (Appelbaum et al., 2000; Chatterjee et al., 1992; Weber & Tarba, 2012). Hence, culture refers to a mental phenomenon, in other words, how individuals in a group think and value their reality, which differs from the thinking of individuals in other groups (Hofstede et al., 1990). Schein (2010) notes that culture is an intriguing phenomenon, based on the fact that it is invisible, present under the surface, yet still has a very powerful impact on organizations. Schein (2010) illustrates that in the same way as our personalities guide or inhibit our behaviour so will culture guide or inhibit the organizational members through the shared norms, values and beliefs that exist within the organization.

Due to the ambiguous and abstract element of culture, Schein (1992) developed a model examining different elements of an organizational culture through three integrated levels (Schein, 1992). The first level of the model is composed of the physical and social context as created by the organizational members. This level composes visible elements, which are the artefacts, created or displayed by organizational members, as well as the explicit communication activities performed by the organizational members (Schein, 1992). The second level of the model refers to the espoused values or official values present in the organization, such as slogans or other publicly articulated principles or values to which the organization is expected to act by. Schein (1992) labelled this level espoused values because there might be a discrepancy between official, publicly articulated values of the organization and how these values are actually manifested in the organization (Schein, 1992). The third level refers to the basic assumptions, e.g. how individuals in the organization perceive

their reality and fundamental principles underlying their view of the world (Schein, 1992). Even though Schein's model has been subject to critique for taking a too simplistic approach to the study of organizational cultures, it still offers practical help in order to identify and analyse different elements of organizational cultures (Hogan & Coote, 2013).

Heracleous (2003) suggests that one way of looking at organizational culture is as the main driver for change and as closely connected to strategy, as strategy is seen as organizing frames of reference held by organizational members. These frames of reference guide and influence the meaning and perception members have of the organization and eventually also their behaviour. Hence, the frames of reference are interlinked with organizational culture and in order to change an organization, the culture has to be changed (Heracleous, 2003).

### **3.2 Organizational Cultural Change**

When most people think of cultural change, change as a large-scale technocratic project is often the process people have in mind (Alvesson & Sveningsson, 2015). Alvesson and Sveningsson (2015) argue that referring to change as a grand technocratic project means seeing change as an intentional transformational process. This type of cultural change project often follows particular steps and promises that by following these steps the organization can move from a certain cultural situation to another more desirable situation (Alvesson & Sveningsson, 2015).

According to Palmer, Dunford and Akin (2006) the top management in a grand technocratic change project are seen as the change agents. Their actions, both when it comes to planning and designing the change as well as dramaturgical actions, symbolizes the way people should think, feel and act in unison with the new ideals and values. Alvesson and Sveningsson (2015) notes that according to this view, some managerial actions need to be adapted in order to accomplish cultural change. This entails for example conducting performance systems where the culturally correct way of behaving is encouraged as well as signalling the desired values and beliefs. The latter is done through leaders who communicate the values in talk and actions, for example through using meetings in a ritualistic way with language and symbols

(Alvesson & Sveningsson, 2015). As mentioned by Alvesson and Sveningsson (2015), several researchers have presented models with different numbers of steps to follow in order to succeed with organizational transformations as grand technocratic project (Burke 2002; Kotter 1995; Rainey & Rainey 1986; Thompson & Fulla 2001). Fernandez and Rainey (2006) draws on the work from a vast number of researchers and present eight factors, which have found consensus to be crucial among previous researchers in the field of organizational change.

The first factor presented by Fernandez and Rainey (2006) is to create a sense of urgency. They posit that for the intended change to be successful, managers must persuade organizational members and stakeholder that the change is needed. This factor includes the creation and communication of an appealing vision to the members of the organization, which will serve as a foundation for, and guide the strategic direction towards the future end-state. The second factor is the plan for how to implement the change. This plan should be based on the company's vision and must through clear goals communicate how to achieve the desired end-state. The third success factor presented by the authors refers to the importance of building internal support within the organization and to overcome resistance to change. In order to gain internal support and minimize resistance, the researchers suggest that managers have to make sure employees are involved and participate in the change process. The next factor is to ensure support and commitment from top-management, which includes create a guiding coalition who leads the change through commitment. The fifth factor stresses the importance of building support from external stakeholders and interest groups and the next factor is to provide the necessary resources to succeed with the change. This mostly concerns the provision of adequate financial funding for the change process. Factor number seven includes institutionalizing change. In order for the change to be permanent, organizational members must adopt the new work tasks and policies in their everyday work life. This is a process of changing the behaviour of employees. Lastly the eighth factor is to pursue comprehensive change in the organization. This includes implementing systematic changes in the organization's subsystems in order to create sufficient momentum for a transformational change to occur (Fernandez and Rainey, 2006).

In contrast to these steps, Alvesson and Sveningsson (2015) argue that the difficulty in viewing cultural change as a grand technocratic project is the problem of changing people's beings and not only their behaviour within the organization. In order for this to be possible the management requires a deeper understanding of the existing culture and the tacit meanings within the organization. By addressing culture in a homogeneous way with homogenous steps and actions, there is, according to Palmer, Dunford and Akin (2006) also the problem of not taking the possible subcultures within the organization into consideration. Additionally, Alvesson and Sveningsson (2015) reason that the culture in organizations are often fluctuating and ambiguous rather than clear and consistent, partly due to the interaction between different sub-cultures.

Based on these features it is evident that it is not easy for management to transfer their ideas of what the new culture should entail and project it to how the employees should think and act. Alvesson and Sveningsson, (2015) in line with Hofstede (1990) and Schein (1992; 2010) reason that the intangible aspect of culture makes it vague and difficult to capture and consequently hard to measure and classify. This complexity together with the claimed importance culture has on the outcome of an organizational change, creates a complicated situation for practitioners in their attempts of trying to understand and work with culture in organizations (Alvesson & Sveningsson, 2015).

The ambiguity around culture has created widespread opinions about whether it is possible for an organization to manage culture, thus, if the managers are able to have forceful and systematic influence on the subordinates' values, meanings, and assumptions (Alvesson & Sveningsson, 2015). Palmer, Dunford and Buchanan (2009) suggest that organizational culture indeed can be changed by top management, at least in certain contexts, with sufficient skills and resources. Alvesson and Sveningsson (2015) on the other hand note that other researchers propose that culture is beyond manageability. Managers' efforts to influence the employees will often have limited impact since the messages they communicate will be reinterpreted due to the fact that people create meaning in their work life based on factors such as background, interpersonal interactions and group belonging. Thus, reaching people's sense making is difficult and thereby managing culture is also difficult (Alvesson & Sveningsson, 2015; Ogbonna & Wilkinson 2003). Nonetheless, Alvesson and

Sveningsson (2015) to some degree share Palmer, Dunford and Buchanan (2009) view and note that managers do still impose some impact on organizations. The authors also argue that organizations can change and a lot of times there are valid reasons to believe that managers actually impact the direction the cultural change is taking, although they suggest that this is maybe not done in such an easy and clear cut way as suggested in the view of change as a grand technocratic project.

The difficulty in changing organizational culture is further elaborated by Alvesson and Sveningsson (2015) who note that organizational members often react ambiguously to cultural change programs. They suggest that this is based on the fact that culture is inherent with a multitude of values and meanings deeply rooted in the organizational members and therefore not easily accessible for managers to influence. Some of the messages that are being communicated by management are accepted, but there is also an element of suspicion about the correlation between the new values and intentions from management if they are not in line with each other (Alvesson & Sveningsson, 2015). The potential clash and suspicion that can occur in a cultural change process will be examined further in the next section.

### ***3.2.1 Clash Between Espoused Values and Basic Assumptions***

When a new company is founded through a merger and management attempts to change the organizational culture, this sometimes also entails a change of the organizational brand. Balmer and Dinnie (1999) claim that it is important to create an integrated mix between the company's culture and their strategic new directions. The authors reason that by re-branding and creating a new forceful visual identity, a merged organization can symbolize and communicate a new strategic direction for the organization and thereby help employees understand where the company is heading (Balmer & Dinnie, 1999).

In internal branding programmes, companies are encouraged to create a vision and clear brand values as well as use the internal communication channels and human resource practices to encourage the organizational members to "live the brand" (Balmer, 1995). This initially means acting the espoused values in their everyday attitudes and behaviours (Balmer, 1995; de Chernatony, 2001; Hatch & Schultz,

2003; Van Riel & Balmer, 1997). Hatch and Schultz (2003) argue that this interplay between vision, culture, and image is seen as critical in order to undergo a cultural brand change in a merger. Nonetheless, this view has been criticized for portraying a too simplistic image. Espoused values formulated by management are often an outcome of externally driven marketing research and not values actually in use by employees in the organization (Andriopoulos & Wilson, 2008).

Alvesson and Sveningsson (2015) as well as Schein (1992) acknowledge the risk of espoused values becoming empty words, which can have a negative impact on the employees if they are not coherent with the employees' understandings of the organization. Characterizing the organizational culture with espoused values such as 'customer oriented' or 'technological excellent' is often used as wishful thinking from managers of what the organization will be, rather than portraying a deeper understanding of the actual organizational life (Alvesson, 2002; Alvesson & Sveningsson, 2015). Applebaum et al. (2000) also acknowledge this risk and reason that in order to change a culture it takes more than simply creating slogans or posting a new and improved way of doing things throughout the workplace, it needs to be deeply accepted amongst the organizational members.

Moreover, Andriopoulos and Wilson (2008) reason that there is a danger of establishing espoused brand values if they are not aligned with the employees' practiced values and assumptions at work and the internal beliefs. Espoused values that are not integrated with the values that exist within the company's culture and subcultures will lead to low cultural alignment between the current behaviours and to the new corporate brand values. The effects of this will be visible when employees resist the intended change and keep identifying with the past values and culture (Andriopoulos & Wilson, 2008). Based on the visible risks, Alvesson (2002) argue that there is a need to make a distinction between what is the organization's espoused values and what is actually the organizational culture, present and enacted by the employees in their everyday life. Hence, based on the above mentioned points, it is clear that if management does not understand the differences between the espoused brand values and the basic assumptions this can lead to negative consequences for the organization and also inhibit the acceptance of the desired cultural end-state.

Re-branding strategies are similar to the view of change as a grand technocratic project and the problem with transformational change projects remains, as the formulated brand values rarely encapsulates or reflect the deep tacit meanings and values that the organizational members hold (Alvesson & Sveningsson, 2015; Balmer, 1995; de Chernatony, 2001; Hatch & Schultz, 2003; Van Riel & Balmer, 1997). The complexity of managing cultural change is clearly visible yet again. Espoused values are one of few aspects of culture that are easy for management to grasp, communicate and influence, and at the same time, there is a need for management to understand and manage the current and more tacit meanings within the culture (Alvesson & Sveningsson, 2015).

### **3.3 Mergers**

Mergers are, as described in the introduction of this thesis, a popular phenomenon which has been studied by several different disciplines. Furthermore, the previous research notes that a successful merger can generate larger market shares, reduced financial risk, and create synergies (Lipponen, Olkkonen & Moilanen, 2004). A merger occurs when two or more previously separate organizations integrate and form a new company with shared resources and strategic objectives (Horwitz et al., 2002). According to Applebaum et al. (2000) the pre-merger stage begins when the decision to merge has been made, but the public announcement and legal issues of the merger have not yet taken place. As described by Haspeslagh and Jemison (1991), most of the present research regarding corporate mergers is concerned with the post-merger integration process, and builds on the presumption that all value creation takes place after the pre-merger stage. There is however research who object to this and note that there is a lack of research that examines the interconnections between the critical success factors within each stage of the merger (Gomes et al., 2013; Marks & Mirvis, 2011). There are two prominent research schools in the merger research who amplify different critical success factors in the different stages of a merger, the *strategic management school* and the *organizational behaviour school*.

In the strategic management school the research focus has been on strategic and organizational variables such as realizing economies of scale and market shares and in that way improve performance of the merging firms (Birkinshaw, Bresman &

Håkanson, 2000). Researchers within this discipline argue for the importance of strategic fit as an investment in reducing the probability of failure of a merger and as way to enhance the value of the merging companies (Harvey & Lusch, 1998). Harvey and Lusch (1998) claim that strategic fit can be achieved through conducting a due diligence of the financial background and assemble legal information of a potential merger candidate. It also involves assessing the market, operations and production systems in order to plan for a smooth integration of these systems in the merger process. The authors further suggest that its is important to thoroughly conduct a due diligence, because costs that can be connected to the production operations of a company are often high. Therefore, if the due diligence is not completely understood and controlled, prompt losses can occur. Thus, it is important that management investigate the capacity, quality, inventory and the ability to meet customer demands delivery on time in the pre-merger stage in order to assess the compatibility between the merging companies.

As a critique to the strategic management school, the organizational behaviour school has aimed its focus on more behavioural variables both at individual and organizational levels (Birkinshaw, Bresman & Håkanson, 2000). Buono and Bowditch (2003) argue that the human factors in mergers in the strategic management school are neglected by managers in their attempts at pursuing the merger deal and realizing operational synergies. The authors posit that long-term success can only be achieved through effective communication and sensitivity to the concerns and expectations of the individuals within the merging organizations (Buono & Bowditch, 2003). We will hereafter dive deeper into the organizational behaviour school and especially look at theories regarding culture's influence in mergers as well as cultural integration.

### ***3.3.1 Culture's Influence in Mergers***

When a new firm is created, out of two or more previously independent firms, there will most often be a change in structure, operations, and work processes in the organization. These changes are often carefully planned by the top management teams and expected to generate financial synergies (Bijlsma & Frankema, 2001). Yet, Bijlsma and Frankema (2001) further argue that it is most often not only the financial

and strategic factors that are directly affected by the merger. The merger process puts great demand on the employees to accept and adapt to the structural changes and how they will react to the change in structure and work processes is closely connected to culture.

The cultures of the merging firms often differ to some extent. As mentioned by Schein (1992), they bear their own cultural beliefs, values, and assumptions on how they act in their everyday organizational life. These cultural aspects are what distinguishes the organizations from each other and provide the employees with a feeling of collective identity and pride to the organization (Schein, 1992). In a merger, there is thereby a high risk of establishing a them-versus-us feeling between the employees of the merging firms when the different cultures collide. This can in the end create unproductive behaviour amongst the employees, which can lead to inefficient work and productivity losses. The changes in formal structures and strategies are thereby often unsuccessful as the organizational culture, with the values, myths and meanings most often are not aligned with the new structural changes. Thereby, rather than creating financial synergies, a change of this type can create a cultural clash between the merging firms (Bijlsma & Frankema, 2001; Schein, 1992). In order to avoid cultural clashes, Bijlsma and Frankema (2001) argue for the importance of a carefully designed plan on how the cultural change is supposed to be managed. Marks and Mirvis (2011) agree with this view and note the importance of management having a clear idea of the preferred cultural outcome before the actual merger is implemented. The reason for this is so that different decisions about the merger can be weighed against the preferred end-state. The plan will guide the actions in the chaotic time of a merger, help position cultural management actions as an integrated and coordinated part of the merger process as well as help employees gain confidence and trust in management (Marks & Mirvis, 2011).

Mergers are, particularly in the pre-merger stage, inherent with uncertainties about where the organization is heading, new routines, and new roles for the employees (Appelbaum et al., 2000; Marks & Mirvis, 2011; Sarala et al., 2014). Due to the uncertainty, this is the time when employees seek the most information in order to ease their concerns (Angwin et al., 2014). Applebaum et al. (2000) reason that the effect communication has on employees through this challenging time is extensive

and influences the adoption of a new culture and the level of stress and uncertainty employees can experience. In addition, according to Welch and Jackson (2007), the communication from management plays a large part in making employees understand their environment and the need for a new strategic direction.

### ***3.3.2 Cultural Integration***

Birkinshaw, Bresman and Håkanson (2000) note that several researchers in the organizational behaviour school have built on the theory of acculturation by Berry (1980). The theory of acculturation originates from the anthropological and intercultural research field and is based on the social movement theory, which explains how immigrants acculturate and adapt in their new country (Sarala, 2010). Nonetheless, Sarala (2010) describes that for the past 40 years, acculturation theory has been increasingly applied to the organizational research field. The original definition of acculturation stated by Berry (1980) describes that acculturation occurs when two separate cultures meet, which requires change in one or both cultures. Thus, acculturation is to a large extent applicable to the research of organizational change and mergers.

According to Marks and Mirvis (2011) one of the most desired and researched type of acculturation strategies is cultural integration. The reason for cultural integration being so desired in the context of mergers can be understood from Bijlsma and Frankema (2001). They argue that in a merging organization, where the structure and processes of the company changes, organizations do not just need to culturally adapt to the new structures. The authors claim that the process is further complicated due to the fact that there is a need to integrate the different cultures from the pre-merger companies. In cultural integration the aim is to pick the best of both cultures and combine the pre-existing cultures of the merging firms into a new one (Applebaum et al., 2001; Marks & Mirvis, 2011). Marks and Mirvis (2011) note that this type of acculturation is usually more successful than other types because, in a perfectly conducted cultural integration, the formerly independent organizations learn to understand each other. In addition, they get to know each other's cultural assumptions and find ways to overcome their differences in order to avoid cultural clashes.

Thereby they can sustain the newly formed organization and its work processes in an effective way (Marks & Mirvis, 2011).

Cultural integration has mainly been researched as a post-merger integration strategy and the pre-merger stage has rather been ascribed as a preparation phase. Applebaum et al. (2001) state that in the pre-merger stage, the most important step for management is to decide which acculturation strategy that is desired to reach in the merger. Marks and Mirvis (2011) further argue that the decision on a cultural end-state includes either creating a culture that incorporates the strongest cultural aspects from one or the other culture or form a completely new culture without using either of the cultures as a base. Hence, the authors suggest that the pre-merger stage is exclusively preparatory for deciding which type of acculturation strategy, such as cultural integration, that will be executed later in the post-merger stage. Furthermore, cultural integration is not always easy to execute and puts a lot of pressure on management and the organizations (Bijlsma & Frankema, 2001; Marks & Mirvis, 2011).

Cultural integration, in the best of worlds, occurs with mutual consent between each of the merging firms. Yet, in reality this is not always the case and power conflicts as well as a sense of unfairness can create resistance to the integration process amongst the employees (Bijlsma & Frankema, 2001). Navahandi and Malekzadeh (1988) posit that although cultural integration involve adaptation between several cultures and is in need of mutual contributions by all, it still does not involve complete loss of cultural identity by either. This can result in the employees trying to maintain many of their basic assumptions, beliefs, cultural values and organizational practices that make them stand out, even though they are willing to be integrated into another structure. Therefore, Navahandi and Malekzadeh (1988) argue that complete integration and the change of the cultural elements in each group can only occur as long as no group tries to dominate the other.

Bijlsma and Frankema (2001) and Lakshman (2011) reason, in line with Navahandi and Malekzadeh (1988), that in order to manage cultural integration there is a need to establish trust between the merging firms. Bijlsma and Frankema (2001) state that trust is one of the fundamental principles of coordination that can facilitate for

integration, co-operation and commitment to the shared goals within the organization. If there is trust in the integration process people will be more willing to change their differences and mould them into wider perceptions of collective thinking and feeling. Trust also has effect on the relationship between managers and employees since trust fosters attribution of positive feelings towards managers, as well as a higher tolerance and acceptance towards their decisions (Bijlsma & Frankema, 2001).

Furthermore, Sarala et al. (2014) posit that trust facilitates for strong connections between the members in the organization, which can be necessary in the transfer of knowledge such as assumptions and values. Moreover, Sarala et al. (2014) note that the establishment of trust in cultural integration can function as social control due to the fact that organizational culture can be understood as a social control system. Bijlsma and Frankema (2001) argue in line with this and posit that because of the established trust, there is less of a need for governance and control since trust can nurture efficient co-operation in the organization. Cultural integration also facilitates for a shared social platform where it is easier to share knowledge, which makes it easier for employees to understand the knowledge that exist in the other pre-merger companies (Sarala et al., 2014).

Brahma and Srivastava (2007) also highlight the importance of trust amongst the employees. However, they suggest that this should be done through communicating as early as possible in the merger process. They suggest that the pre-stage should consist of communication actions aiming to resolve any uncertainty amongst the employees in order to build trust and credible leadership. Welch and Jackson (2007) similarly reason that trust can help build an understanding for the organization's new strategic direction and a sense of belonging to the organization. They suggest that this trust is facilitated by communication and can be a way to engage the employees into identifying with the organization and prepare employees for a change process. Additionally, according to Horwitz et al. (2002), the communication in the pre-merger stage should focus on the rationality behind decisions, new responsibility, roles, and future goals and objectives through dialogue and feedback.

## 4. Analysis of the Empirical Material

In the following chapter, we will present and analyse our empirical material in order to answer our research question. We do this through our document analysis and from our semi-structured interviews where our focus has been on how the employees perceived the pre-merger stage and how the cultural integration process was managed. This chapter is structured as a storyline, following the merger process in Swebre, as well as our identified themes.

### 4.1 The Case of Swebre

Two years prior to February 2016, the preparations for the merger began with strategy, marketing, and cultural planning of the merger process. Management established a team with human resources and communications personnel, who were responsible for creating a joint message and plan for the pre-merger companies. The process started with the communications team conducting a communications plan where they started to discuss the goal with the communication and culture. The communications team together with top management concluded that they wanted to have one joint culture in the company, which would be based on the best parts from the pre-merger cultures, hence, a cultural integration.

In order to find the desired culture and the different values in the pre-merger companies, the communications team conducted a cultural survey. According to one employee from the communications team, the survey was important in order to see what values existed in the pre-merger companies and what values they thought should be present in the new company. The material conducted from the survey was later discussed in focus groups, which then formed the basis of the new cultural platform. One employee from the communications team, comments on the plan;

*“Somewhere, the new culture was based on what was found in the pre-merger companies. It is based on what was naturally in the companies and that was what we brought with us. But at the same time, it was important that we brought something new. It is not like we have done a completely new product and said that everyone should begin to have*

*these values without it coming from what was already there. We wanted to enhance what was there and turn it up a little maybe". (Employee 1)*

In order to achieve the cultural integration and succeed with the merger, the communications team conducted a communication plan structured into three different phases, the *why* phase, the *what* phase, and the *how* phase. We will further on in this analysis in more detail analyse how the communications team and top management at Swebre managed these different phases and how this process was perceived by the employees.

## **4.2 The Importance of *Why* and *What***

In the empirical material, it was visible that a lot of the initial focus of the cultural integration process aimed at explaining *why* the companies were supposed to merge. One of the employees in the communications team stated that during the first six months, they spent almost all communication activities on "why messages" and what reasons there were for merging into one company. Additionally, the same employee argued that the impressions of why the merger was needed were initially experienced in very different ways in each pre-merger company and therefore the communications team saw it as vital to create a joint message. In the educational documents, these "why messages" are clearly visible through quotes such as: "*Our industry is currently in a position of strong change and is affected by all sorts of things like new trends, technology, and political decisions*". (Workshop document from Swebre).

By stating this, the company communicated that the operational environment was changing and that the merger was crucial in order to survive in the industry, thereby trying to make employees realize the need to change. One employee from the communications team explains that what was communicated in the *why* phase was to a large extent about the possibility for long-term competitiveness and that the merger was crucial in order to even remain on the market. The communications team articulated how the market situation looked, that there were a negative market trend and a need to gain market shares, as well as what would be possible due to the merger. In addition, the focus was directed on the change of the brand and what would be possible when Swebre would be perceived as one joint brand instead of nine

different ones. An employee from the communications team argues that they began focusing on making the employees realize why there was a need to change because without a *why* it would later on in the process be difficult for the employees to accept *how* the merger would be achieved.

To further prepare employees for the merger, an employee from the communications team illustrates how the merger process shifted after approximately six months from *why* towards explaining *what* was supposed to change. The *what* phase consisted of communicating more concrete things that would change in the merger process, such as the development of a shared operational system, custom timetable IT systems and what would be possible when merging previously separated operations. When analysing the employees' perceptions of these two phases, our findings illustrates how this part of the merger process initially was inherent with feelings of insecurity and worry amongst the employees, as illustrated in the quotes below:

*“I got a stomach ache. I think I reacted like many other colleagues. You saw the difference between the companies and you were proud of your own. You thought that this [the merger] could be the end of the company that I represented. I reacted with that gut feeling because I had such pride for the company I was currently working in”.* (Employee 2)

*“[...] what happens to my role, because I knew that others in that company had the same role as me. Are we going to be as many or will it just be one? So it became a question of whether I will keep my job or not”.* (Employee 3)

*“There were some mixed feelings. We used to work side-by-side with XX, [...] we were in some way colleagues before, because we operated in the same place, but we did not talk so much to each other so there was a little fear like ‘oh how are things going to be like now?’ and they had a different collective agreement than we had and so on, so yes it was a bit stormy actually”.* (Employee 4)

Several employees also state that some colleagues more had difficulty accepting the change than others and some even ended up leaving the organization.

*“The brain said one thing and the gut said another thing. Intellectually, I understood it all but the gut said a little more like; ‘no maybe not’. After that, it did not take more than 2 weeks before I had accepted the feeling. It was emotional. It has been about the same for my colleagues. You have the instinctive feeling that it creates uncertainty, you see opportunities, but you also see risks. It is not as easy for everyone to accept, and then you have to think about whether or not to participate. I had some colleagues who did not, who left”.* (Employee 5)

Despite the initial mixed feelings of worry amongst the employees in the organization, the same interviewed employees also state that they had a positive view of the upcoming changes after some of the information about the merger had been communicated:

*“[...] it was very professional and they managed the marketing to employees in a good way so that it made you proud. I thought it would be exciting and fun and I looked forward to the changes. I was excited by those things and wanted to get on board”.* (Employee 3)

*“Yes exciting, I have been here since 1994 so it's always fun when something happens in a workplace where you feel good and wants to develop further [...] you saw the possibilities”.* (Employee 5)

We find that these perceptions of both concern and excitement from the employees can be interpreted as the communication of the need to change and what was supposed to be changed, eased the employees’ concerns of what would happen to their role and the company. We noted that the employees in Swebre clearly argued that they felt positive feelings towards the change when they had received the information about why the merger was crucial, as well as what would happen in the merger process. Consequently, we interpret that both the *why* and *what* phase was

conducted in accordance with what the management had planned and the employees had generally positive perceptions of these phases.

### 4.3 The Interrupted *How*

In the beginning of 2015, one year before the merger and after approximately one year of communication about *why* the change was needed and *what* the change was going to lead to, the pre-merger process entered the *how* phase. Here, communication activities concerning questions regarding *how* they were going to become the new company and questions regarding culture were a priority, according to an employee from the communications team. Culture was regarded to be a critical success factor in the merger process and was also intended to have a major role in the *how* phase.

The phase started with a conference for 800 of the employees. This was the first time the top management gathered everyone since the announcement of the intended merger. One of the employees from the communications team describe the conference:

*“At this time, everyone knew that we were going to become one company and we had worked with why, why, why, and then we had worked with what, what, what, and here we were going to start talking about how. How we were going to look, what the name would be, and the culture and all that. When people saw ‘Swebre’ for the first time and the colours, and at the same time Thunder Strike with AC/DC was playing from the speakers. It was a really good energy, people were just screaming, it was so cool”.* (Employee 1)

The employee also mentions that during this conference, management conducted workshops where all employees could give input about what they thought would be important in the new organization. The aim with this was, according to one of the employees from the communications team, to create a feeling among the employees of *“we create this company together. [...] This took place a while before the Swebre Academy (educational workshop), which would seize the energy we created at this conference”.* (Employee 1)

The *how* phase continued with the next and the biggest part of the phase, the Swebre Academy. This was a one-day educational workshop and conference, which all the employees were supposed to attend on different occasions. As mentioned before, the communications team had in the beginning of the merger process conducted a cultural survey amongst the employees in order to explore the different values in the pre-merger companies. The results from the survey laid the foundation for the new cultural platform, including the new aim and values. This was then broken down to behaviours, which laid the ground for the Swebre Academy. According to one of the employees from the communications team:

*“The aim of this education was to establish the culture and the brand position in dialogue with the employees. The employees also got the chance to meet across borders, because before we were about to merge, a lot of people had not met employees from the other companies. You did not even know who they were”.* (Employee 1)

One of the employees explains that they understood that the aim of the Swebre Academy was to learn what needed to be done to become Swebre. Another interviewee also notes that *“employees got the opportunity to give input about new ideas etc.”* (Employee 6). In addition, an employee from the communications team state that one purpose with the academy was: *“To get to sit together around a table and work with new colleagues help to build a ‘us-feeling’”.* (Employee 1)

In the educational documents from the Swebre Academy, it becomes obvious how Swebre worked towards reaching cultural integration and tried to make the employees think about how they could conform their behaviours in order to for them to be aligned with the new values. In more subtle ways this can be seen in the language and symbols used throughout the documents. In a more explicit manner, it is demonstrated through statements such as: *“How can you in your roles enact the new values: Close, New, Now?”* Another clear example of this is when management asks employees to: *“Make a list of concrete, simple situations where you can change your behaviour to ‘practice’ the values”.*

Thus, we can see that how these values are presented clearly states how management and the communications team want their employees to act, think, and feel. This is further illuminated through one of the employees who state that “[in the Swebre Academy] we went through our new values and this is how we should think, and this is how we should work” (Employee 7). Moreover, in the educational documents, it is also clear that Swebre does not just want to influence the behaviour of the employees, yet also their identity. In these documents, we find quotes like: “Swebre, that’s me”, “A corporate culture closer to you” and a quote that states that management wants the employees to refer to and see their local office as “my castle”.

We interpret these quotes as management and the communications team aiming to influence how their employees identify with the company. In the educational documents there is also a segment where the employees are supposed to evaluate themselves on were on a certain scale they are in regards to living the corporate values and they are also asked to discuss how they can ‘live’ the values.

Consequently, we can see that management carefully planned the *how* phase by deciding on a cultural end-state, followed certain steps in order to be able to move from a cultural situation to another more desirable situation, as well as signalling the desired values and beliefs through using meetings in a ritualistic way with language, symbols as well as encouraging the culturally correct way of behaving. However, our empirical findings show that despite careful planning, an unexpected event interrupted and had implications for the *how* phase.

### ***4.3.1 The Interruption***

Parallel to the *how* phase, an incident occurred that, according to an employee in the communications team, affected the whole process. Swebre had contracted 90 of its employees and four transportation units to another company. This customer cancelled the contract, which resulted in a risk of layoffs for all the 90 employees. This incident occurred parallel to the efforts concerning the cultural aspects and the preparation for *how* they were going to become Swebre. According to one of the employees from communications team, it was difficult to find employment for all the 90 employees, although management tried to rearrange employment to avoid layoffs and to remain

trust from all employees in the companies. Nonetheless, the implications of the incident meant that some of the employees had to leave the company and for many others, it remained uncertain if they would be able to keep their job. According to one of the employees from the communications team, this was an:

*“[...] extremely complicating circumstance. It was almost a crisis situation for the company. How should we handle all this and at the same time handle the preparations for the release of one joint company? It was very hard to keep following the communication plan”.* (Employee 1)

According to the employee, they could not continue to follow the communication plan, keep working with the culture and create engagement for the merger in the same way as intended. Instead, they had to change the whole communication in respect to the affected employees and in order to remain trust. Throughout the interviews and documents, it becomes clear that management intended the Swebre Academy to be an important step in building bridges between the different pre-merger companies as well as to influence the employees' behaviours and sense of belonging. We can however conclude through our empirical findings that the image of the *how* phase in general and the Swebre Academy in particular is fragmented and not shared by all employees. Some of them state that they did not understand the importance of the workshop:

*“Not at that time, when I went to it [the Swebre Academy] I did not understand it. Now I understand the value of the workshop more than I did then. [...] It was hard to relate to, but now it has sunken in so now it is more obvious”.* (Employee 4)

Another interviewee states that it felt uncomfortable and strange to sit in groups with people from different departments and local offices at the workshop. Additionally, the employee adds: *“To sit in a meeting like that when you just recently lost your employment, those things shine through”.* (Employee 5)

Additionally, one of the employees notes that some of the employees probably did not feel involved in how the workshop was managed. Another interviewee mentions that

the employees did not feel that the workshop gave much. They felt that the questions discussed in the Swebre Academy were not connected to their work tasks and they did not see the purpose with it. One of the employees even state: *“I am not sure if I went to it, maybe I did. So the question is if it really gave that much since I have forgotten it”*. (Employee 3)

Based on these perceptions we note that this lack of understanding of the purpose of the Swebre Academy to a great extent was affected by the incident with the cancelled contract. One of the employees from the communications team note that the incident meant that they could not work as much with culture as intended;

*“I would have liked us to talk more about culture than we did, especially as we entered the ‘how’ phase. But it was incredibly challenging to keep the focus there because we would at the same time deal with all the employees that needed to be restructured, the sales organization due to that we no longer had the contract. It clearly had negative effects on the fact that we could not work so much with culture”*. (Employee 2)

According to an employee from the communications team, management and the communications team did not have enough time to carry out their communication plan as intended, something that we note had implications for the employees’ understanding of the new culture and value of the educational workshop. From our empirical findings presented above, it becomes visible that integrating the organizational cultures was an important area of focus for the management, especially in the *how* phase. Yet, it becomes salient that this part was hard for the employees to understand and relate to. The interruption of the *how* phase and the implications this had for the employees understanding of the cultural integration process will further be analysed in the upcoming sections.

#### **4.4 Understanding How to Enact the New Values**

In our empirical findings, it is visible that the incident with the cancelled contract interrupted the *how* phase and that this had implications for the employees’ understanding of the purpose of the Swebre Academy and the new culture. We find

that a consequence of this was a perceived lack of focus on how to do things internally and how employees should enact the espoused values formulated by management. Our empirical findings indicate that the employees experienced that the focus in the Swebre Academy was more directed towards the external customer than on *how* the employees were supposed to carry out their tasks. Several employees state that the goal with the merger was clear but it was harder to understand how to reach the goal:

*“You did not know much of what would happen, there was so much focus on the commercial side that they forgot about the production. It was very clear how we would appear towards the customer. That we would be “closer to you” and so. But what it meant to us [the employees] took a long time. Therefore the productivity from us declined since we didn't now what would happen, so we remained ineffective”.* (Employee 3)

*“The goal has actually always been clear in words, but how we get there has been more unclear, and who will get there? You understand that it is supposed to end up in a certain place, but who is going to help you in the process?”.* (Employee 8)

The difficulty in understanding *how* is further illustrated through more specific examples. Throughout the different documents, it is clear that one of management's main goals with the merger was to create one shared culture and a single perception of the company, both by employees and customers. This is stated through quotes such as *“One strong shared culture”*, *“One common image of reality”* and instructions to managers to communicate *“one clear, realistic, and attractive picture of where we are going”*. Nonetheless, even though it is communicated that Swebre wants one single perception of the organization, they also communicate the need for the different offices to still be perceived as local: *“Our objective is that we should still be perceived as local but with a common, bigger, and even better offer”*.

Additionally, in the educational documents we can see that one of their new values is *“Close”*, their new vision is to become *“Sweden's closest (company in the business)”*, and they want to create an *“organizational culture closer to you”*. An employee

mentions that it was hard to understand and know how to carry out these values and messages that were communicated by management. The employee notes that some of the employees had a hard time to understand the concept of acting ‘local’:

*“[...] it has been quite difficult in this process because you speak a lot about “local” but we feel we might have been even more local before the merger. Therefore, it is difficult to speak about local in the new company when we feel that we now might have become a little less local and it is difficult for my employees to think that we are local now, because we were so much more local earlier in the previous organization.”*

(Employee 7)

This illustrates how an employee experiences somewhat of a clash between the different messages to be both local and central. We argue that this clash might prevent employees from fully enact one shared culture or one common image of reality. It might create confusion for employees if it is not clear to them if they should identify with the local office or the new post-merger company. For example, it is stated in one of the educational documents that they want to create *“cooperation across all areas in the organization”*, which in the end might be counteracted if the sense of local is too strong.

In general, we also found that it was not only the local value that was hard to enact for the employees. One employee notes that it was difficult to relate to the new values in their everyday work:

*“I was proud of what they introduce because it is nice and I understand that it is the customer we work for, but I could not connect it to me. What do I need to do every day in regards to these changes, because my task is still the same? So no, I could not relate it to my task and how I could carry this out. I understood THAT we would do this but not HOW I could do it”.* (Employee 3)

Another employee also explains that sometimes it was difficult to understand the new values and concepts as well as communicate it to the other employees;

*“We tried the service concept for a very long time and knew straight away that this would be tough. We felt like the management didn't listen to that and just carried on. We went with it, we had the meeting where we introduced the concept to the employees and really tried to announce that it would be great. We tried to make them feel comfortable with what we were doing, however, it's hard to convey something when you're not really convinced yourself [...] our hesitations turned out to be right and now my employees are saying; ‘if you had just listened’”.* (Employee 5)

Despite the claim from the human resource and communications team that; *“It's not like we have done a completely new product and said that everyone should begin to have these values without it coming from what was already there[...]*” (Employee 2), there is still some difficulty and confusion for the employees to identify and act according to the new values. The communications team's intention with the cultural survey was to avoid developing values without any connection to the existing values amongst the employees, however, the quotes from the employees indicate that the values still were difficult to relate to. We note that this in the end can result in employees keep identifying with the previous values and culture, which can create a them-versus-us feeling within the organization.

## **4.5 Loss of Trust**

In addition to the perceived difficulty in understanding how to enact the new values, one of the above mentioned quotes also illustrates that some of the employees did not feel that they were being listened to by management. This together with the difficulty in understanding the espoused values indicates to us that the understanding of *how* and the values in the organization could have been easier to grasp if the employees would have been more involved. Our perception is reinforced by a quote from an employee who suggests that management should have been more interested in what the employees had to say;

*“They could have been more curious about all employees' concerns and the skills that were available in the organization. They could have taken advantage of the knowledge to get a better idea of what they really are*

*going to do because it's a pretty problematic business. It's not like merging two clothes stores. It felt like our owners had the perception that one could just merge and become the largest in the business and then just keep going. They should have tried to found out more and prepared for the obstacles". (Employee 3)*

When asked if this feeling could have been resolved with more information of what would happen, the employee answers; *"Not informed, because we were all very well informed. But we should have been more involved". (Employee 3).*

We note that what the employee explains as lack of being involved can also be interpreted as a lack of trust in management. The employee wants to be involved and does not completely trust what management says. This is also visible in what one of the employees from the communications team mentions in regards to the cancelled contract and the difficulty to keep the intended communication plan due to the fact that they instead needed to engage in crisis management.

*"Once we thought we would start working with cultural issues, engagement, and spreading good examples, boosting etc, we instead had to spend a lot of time dealing with crisis management. We couldn't talk about culture in the same way because it didn't feel right. The tonality had to change in respect of the colleagues who suffered. It was very difficult to balance the message and find the right level". (Employee 1)*

*"When all these things happened as with the contract and the replacement of the transportation units, it was immediately recognized in confidence and trust. And then talking about the cultural issues became problematic". (Employee 2)*

An employee from the communications team also states that when there is this uncertainty in the organization it will affect the trust. The results from a survey measuring trust, which was handed out amongst the employees at Swebre, started to decline and ended up presenting the worst results for trust in management immediately after the merger was finalized. The lack of trust in management is also

visible amongst other interviewed employees. One employee states that the head management did not seem to know what they were doing, which is clearly illustrated in the quote below:

*“They (management) made fools out of themselves in some ways. They put on too large shoes and could not really do it all at once. Something would go wrong and then it would cost way too much. That was something we discussed a lot, the money issue. It was like they thought they were millionaires, but then they realized that we are not which meant they had to cost cut and then we were in deep shit [...] they spent money on the wrong things, they indulged too much [...] They probably believed that they had better conditions than they had”.* (Employee 8)

One employee says that in the beginning when they were initially informed of the merger, the employee trusted management; *“You relied on what they said, I did to a great extent at least. I thought ‘okay they have really thought this through’ and our new CEO was with us. You trusted them because they should know what is best for the company”.* (Employee 6)

Another interviewee states that it was difficult for the employees in the team to feel secure with a new management:

*“It's so difficult to say because it's a whole new management team and to feel secure about it for the employees, it was too difficult. It was a too big of a step between them and they did not feel like they were being listened to. The management was working at the top without engaging the employees further down the hierarchical steps and later in the process I think they understood that this might not be so good, but kept on working in the same manner anyway because they really wanted it to work out”.*

(Employee 5)

Another employee also mentions that when trying to communicate what could improve with the merger, the nearest manager to the employee was not sufficiently involved in planning the merger process to communicate the suggestions further. No

one higher up in the hierarchy listened because the manager was not able to take it forward, so the employee's opinion did not reach the top management team. This employee argues that the goal of the merger in words has been clear, but who should do what, how to make a decision, and who could make the decisions has been a lot more unclear;

*"Everybody has taken a step back with their hands up and said 'I do not know'. It was like placing all the tasks on the floor and the most interesting tasks were taken by someone. Then you do not know who took them and you do not know which task were left over". (Employee 3)*

This statement represents the uncertainty and confusion that many of the interviewees describe and what we interpret is a result of the interrupted *how* phase. Our findings indicate that the interrupted *how* phase and the misalignment of the espoused values in the everyday work life for the employees resulted in the suffering of leadership as well as loss of both trust and control for middle managers in the organization. We interpret that the negative feelings towards the management's decisions and the merger process to a great extent are connected to the loss of trust in management.

## **4.6 Cultural Clash**

As illustrated above, during the interrupted *how* phase, where management and the communications team intended to start the main work with the cultural integration, several implications occurred. Furthermore, we note that the interruption of the *how* phase and the reduced focus on cultural aspects that followed, had further consequences than difficulty to understand the espoused values, lack of involvement, and a feeling of loss of control and trust. In addition, our empirical findings indicate that all these implications resulted in a separation between the pre-existing cultures. This consequence is exemplified through statements from employees such as:

*"From my point of view, it is the cultural clashes (that has been the biggest challenge) and that we were so many companies with so many strong personalities, strong brands that would come together and become one. And everyone did not really want to let go of their identity. I*

*feel that we are still working on that and need to work even more with it". (Employee 7)*

We draw the conclusion that when the *how* phase was interrupted, the employees did not seem to see the importance of changing their behaviour and conform to the new culture, which instead created a them-versus-us feeling. This resistance is further described by two of the employees:

*"As I experienced this among my staff, they felt like 'No but we know what to do, we do not need to go through these points because we are so good at doing our job'. They did not think that it (the Swebre Academy) was related to what they were supposed to work with". (Employee 5)*

*"We as humans are quite difficult to change and it is quite difficult to let go of something that you think is good, and it is difficult to embrace things that you think are worse than before because you would like to stay in what you thought you did so well. This has been very difficult in the process, I think this has definitely been the biggest challenge in this". (Employee 7)*

The latter employee also describes how they have worked with their employees to counteract the cultural clash:

*"That is what we do quite a lot, and I talk a lot about it when I notice that staff starts to say things like 'Yes, but we did it in that way before', 'I will do it like this because we did that before', 'I think that it is worse now so I will continue to do as we did it before'. This kind of discussions is something I often have and it is so important that we do not compare and not get stuck in the old too much. It inhibits the whole company in my opinion and it inhibits the collaboration with the other offices and the company as a whole. So this is something we still work with". (Employee 7)*

This conclusion is also confirmed by one of the employees from the communications team who states that the team wishes they had worked more with culture, especially in the *how* phase. Furthermore, the employee notes that it was difficult to keep the focus on culture in the *how* phase with everything that happened with the lost contract, restructures of employees, and new and delayed deliveries of transportation units. *“It definitely affected the fact that we could not work that much with the culture”*. Additionally, the employee mentions: *“Maybe we could have thought differently about how we were pursuing the process towards becoming Swebre just because the cultural aspects are so closely connected to how we feel and how it is at work”* (Employee 1).

The employee from the communications team argues that the team reflected a lot on this and that if they had been able to spend more time on culture and carry out the *how* phase in the right manner, the trust in management could have been better; *“I think it would have made a big difference. I find that many of our leaders suffered so much workload with all the changes. And if leadership suffers, the culture will suffer, because they are so interconnected, at least in my point of view”* (Employee 1). The same employee claims that the interruption definitely affected how much they could work with the culture and *“[...] it would have been favorable to wait with some of the changes and not do everything at the same time”* (Employee 1).

Subsequently, from our empirical analysis it becomes visible that the interruption of the *how* phase, caused by the cancelled contract and the delays of crucial transportation units, inhibited management from working with cultural aspects in accordance with their plan. This in addition to the difficulty to understand the espoused values, lack of involvement and a feeling of loss of control and trust created a clash between the pre-existing cultures, which lead to a them-versus-us feeling among the employees.

## **4.7 From a Chaotic Time Towards a Brighter Future**

Despite the perceived difficulties in the *how* phase, our empirical findings show that in the past months the positive feelings towards the merger has increased. Several of

the interviewees state that they now are in a positive phase again and that they see a bright future ahead:

*“Right now we are in a positive phase so we should keep working. After many ifs and buts, we have finally found something that suits us. It is only in the last few months that it has felt this way”.* (Employee 3)

*“I think the future is positive, we have survived this year and we will continue on. Now we have time to focus on the details and improve. So yes, I still feel that it feels like we are moving forward and it feels positive”.* (Employee 6)

This indicates that the uncertainty and messiness employees experienced have eased after the pre-merger stage. According to one of the employees in the communications team, they continued to work with the cultural integration process even after the merger. This was done through continued meetings with the local offices as well as in leader forums, where the cultural aspects were discussed. Additionally, two of the employees mention that after the merger was finalized, it has been easier to understand the values and the cultural integration process: *“I think it is the time and the understanding, now I have realized it can be differences. You realize fact after some time”* (Employee 8).

*“Not at that time, when I went to it (the Swebre Academy) I did not understand it then. Now I understand the value of the workshop more than I did then. [...] It was hard to relate to, but now it has sunken in, so now it is more obvious”.* (Employee 4)

The same employee also explains why it was hard to understand the culture in the beginning:

*“When you are supposed to think in a new way, it can be hard to understand and take it all in. What we did then and what we are supposed to do now. That we are supposed to work for the customer was*

*not something new, but it was everything with the new values and vision, which was very new to us". (Employee 4)*

Subsequently, we can see that many of the employees feel that the uncertainties and the chaotic time of the merger now have eased. From this we can interpret that the continued cultural integration activities and the time have had an effect and helped the employees accept and feel more secure with their new task and in their new culture. One of the employees also mentions that Swebre only a few months after the merger received an award in regards to customer satisfaction;

*"We got the award for the most satisfied customers in Sweden in our industry, we were so surprised. This was what we were going to work towards and thought it might take some years to get there. Given how we had experienced our every day, we were just taken by surprise. It shows how focused you became on the internal things that did not work out."*

(Employee 1)

Additionally, one of the interviewees states that: *"Now you start to notice that we are a bigger brand and have another strength. When we push something, it shows in a completely different way than before."* (Employee 6). Despite the chaotic times during the pre-merger stage, the positive feelings employees have of the new company and the satisfactory customer feedback indicates that the merger into Swebre in some aspects can be seen as a successful merger.

Consequently, we have in this chapter presented and analysed how the cultural integration process was managed in the pre-merger stage at Swebre and how this was perceived by the employees. We will further on in the next chapter of this thesis elaborate on our findings.

## 5. Discussion

The analysis of the empirical material presented above has explored our research question and shown how cultural integration was managed in the pre-stage of the Swebre merger and how this was perceived by the employees. As this thesis also aims to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes, we will in this section discuss our empirical findings together with our theoretical framework.

### 5.1 Merger as a Grand Technocratic Project

From our analysis we can see that Swebre put a lot of effort into constructing a plan for how the merger process was supposed to be performed where the cultural integration played a major role as the desired cultural end-state. It becomes salient that this plan was very proximate to how to execute a change as a grand technocratic project. That is, seeing the change as an intentional transformational process, which includes specific steps to follow in order to succeed with the change (Alvesson & Sveningsson, 2015). This becomes visible when comparing the Swebre merger process to the eight success factors for change proposed by Fernandez and Rainey (2006).

Starting off the transformation by creating a team responsible for the merger process as Swebre did can, according to Fernandez and Rainey (2006), be understood as creating a guiding coalition, as presented in the theoretical framework. The guiding coalition created a plan, which included how to get employees to accept the change and understand *why*, *what*, and *how* the merger was supposed to be conducted as well as accepting the need to integrate the pre-merger cultures into one. Throughout the analysis it becomes evident that the communications team spent a lot of their initial focus on communicating *why* the change was needed and thereby put a lot of effort on creating a sense of urgency. This can be understood through what Welch and Jackson (2007) argue concerning the need to make employees understand their environment and how this affects the strategic direction of the organization, which also corresponds to the first two steps presented by Fernandez and Rainey (2006). Namely,

creating a sense of urgency by communicating an appealing vision that guides the organization towards the desired end-state, as well as a plan for how to achieve the desired end-state. The desired end-state was, in this case, to integrate the different cultures into one, and the plan was how to execute the *why*, *what* and *how* phases.

Conducting such a plan is in line with what Bijlsma and Frankema (2001) and Marks and Mirvis (2011) reason about the importance of conducting a carefully designed plan on how the cultural change is supposed to be managed since it will guide the actions in a chaotic time of a merger. In addition, Marks and Mirvis (2011) argue that it will help position cultural management actions as an integrated part of the merger process and help employees gain confidence and trust in management as well as Heracleous (2003) who suggest that organizational culture is closely connected to strategy and can be seen as the main driver for change.

Additionally, our analysis shows that the employees seem to have understood the information about what was going on in the beginning of the process. This can be seen as important for the merger process as Horwitz et al. (2002) claim that communication in the pre-merger stage should focus on the rationality behind decisions, new responsibility, roles, and future goals and objectives. Additionally, Brahma and Srivastava (2007) suggest that the pre-stage should consist of communication actions aiming to resolve any uncertainty amongst the employees in order to build trust and credible leadership. Moreover, Applebaum et al. (2000) argue that the effects communication has on employees through such a challenging time as a merger, is extensive influences the adoption of a new culture and the level of stress and uncertainty employees can experience. Thus, it becomes clear that the intended plan of the merger process created by the guiding coalition in Swebre was designed in congruence with what many theories from our theoretical framework state as important in the beginning of a change process.

Furthermore, from our analysis we can draw the conclusion that management and the communications team at Swebre planned and aimed to make employees involved and participative through meetings, workshops, and conferences. This is one of the success factors of building internal support and minimize resistance to the change (Fernandez & Rainey, 2006). As mentioned in our theoretical framework, the seventh

factor for successful change presented by Fernandez and Rainey (2006) is to institutionalize change. This includes changing the behaviour of employees and makes them adopt the new work tasks and policies. Based on the analysis, it becomes obvious that how the new values are presented clearly states how management and the communications team want their employees to act, think, and feel. This can be seen as communication actions directed at the second level in Schein's (1992) model, the espoused values and how organizational members should act. We interpret that this clearly aims at creating a shared new culture and thereby changing the beings and behaviours of employees. This is an attempt from management to influence the employees towards an integrated culture and to identify with the company, which according to Sarala et al. (2014) is a way to socially control the merger process.

Consequently, based on our analysis it becomes clear that management planned to conduct their merger process in certain steps and treated the cultural change as a transformational process, much like the theory of change as a grand technocratic project and the steps proposed by Fernandez and Rainey (2006). Alvesson and Sveningsson (2015) note that managers might have some influence in a cultural change process, although maybe not in such an easy and clear cut way as suggested from the view of change as a grand technocratic project. Yet, from our analysis we can conclude that the first two phases in the management's plan for the merger, *why* and *what* was received well by the employees as they seem to have understood the importance of *why* the change was needed as well as *what* the desired end-state was.

## **5.2 Interrupted Cultural Integration**

From the section above, we can see that the first two phases of the merger were carried out in accordance with the intended plan. However, as our analysis show, culture, which was supposed to be addressed in the *how* phase, is complex and not easy to change. Following the argument of Alvesson and Sveningsson (2015) and Palmer, Dunford and Akin (2006), the problem of treating cultural change as a grand technocratic project is the assumption that as long as the plan is followed, not only the behaviours but also people's beings can be changed. From our analysis we conclude that the cultural survey that was conducted before the *how* phase in Swebre to a large extent was based in line with this assumption. We make this statement since

management, through the Swebre Academy and conferences, encouraged the employees to behave in the culturally correct way and live the new values. However, it is visible that it was difficult for the employees to understand how to enact the new values in the organization.

As Alvesson and Sveningsson (2015) and Schein (1992) suggest, the intangible aspect of culture makes it vague and difficult to capture and thereby hard to measure and classify. We therefore suggest that the survey in reality might not have measured the actual tacit values amongst the employees in a legitimate way, due to the fact that culture is difficult to measure. As research has shown, this is because organizational culture is often fluctuating and ambiguous rather than clear and consistent, partly because of the interaction between different sub-cultures (Alvesson & Sveningsson, 2015; Palmer, Dunford & Akin, 2006). It is therefore possible that what was being surveyed by the communications team in the cultural survey was rather espoused values. Schein (1992) labelled these types of values espoused because of the possibility of there being a discrepancy between official, publicly articulated values of the organization and how these values are actually manifested in the organization, without any connection to the organizational life of the employees, as we see in the case of Swebre.

As several researchers note, the establishment of espoused values without a clear connection to the employees' everyday organizational life can lead to low cultural alignment and by doing so, also inhibit the cultural integration process (Alvesson & Sveningsson, 2015; Andriopoulos & Wilson, 2008; Applebaum et al., 2000; Schein, 1992). This is also coherent with Andriopoulos and Wilson (2008) argument that, espoused values formulated by management are often an outcome of externally driven marketing research and not values actually in use by employees in the organization. Additionally, Balmer and Dinnie (1995) claim that companies that are going through a branding program are encouraged to create a vision and clear brand values as well as use the internal communication channels and human resource practices to encourage the organizational members to 'live the brand'. The commercial focus is according to our analysis salient within Swebre as well as the encouragement to live the brand values. As illustrated by several researchers, 'living the brand' initially

means acting the espoused values in their everyday attitudes and behaviours (Balmer, 1995; de Chernatony, 2001; Hatch & Schultz, 2003; Van Riel & Balmer, 1997).

Consequently, it becomes evident that the management of Swebre not only planned the *why* and *what* phases of the merger process as a grand technocratic project, but also the *how* phase. This understanding of cultural change led to the management presenting the employees to espoused values that employees had difficulties to relate to and enact in their everyday work and behaviours. Espoused values are one of few aspects of culture that are easy for management communicate and influence, while at the same time, there is a need for management to understand and manage the more tacit meanings within the organizational culture (Alvesson & Sveningsson, 2015). Hence, the complexity of managing cultural change is visible yet again and the cultural misalignment subsequently resulted in an inhibition of the cultural integration process.

Furthermore, how employees received the cultural integration was, based on our analysis, not only a result of management viewing change as a grand technocratic project. It was also due to the uncertainties and chaotic time that followed from the cancelled contract in the beginning of the *how* phase. As mentioned earlier, one of the main goals with the merger was to create one integrated organizational culture and this was also the main focus in the *how* phase. Yet, when this phase was interrupted as a consequence of the cancelled contract and the delays of crucial transportation units, the following chaotic time had implications for how the employees perceived and accepted the changes, which also inhibited the facilitation for cultural integration in the pre-merger stage.

From our analysis we identify that the interrupted *how* phase created further insecurity among the employees in regards to how they would perform their task and the difficulty in understanding the espoused values. Additionally, our findings show how this insecurity resulted in the employees resisting the integration by identifying with their previous organizations and thereby created a separation amongst the different pre-merger cultures. We interpret this separation through Bijlsma and Frankema's (2001) argument, that such clash between the espoused values and the basic assumptions can create a feeling among employees that the organization is

segregated and a them-versus-us response in the merger process. We believe that this reaction by employees is a strong contributing factor for the inhibition of the cultural integration process. We base this interpretation on Navahandi and Malekzadeh (1988) who discuss that although cultural integration involves adaptation between several cultures, it still does not involve complete loss of cultural identity by either part. This can result in the employees trying to maintain many of their basic assumptions, beliefs, cultural values and organizational practices that make them stand out, even though they are willing to be integrated into another structure.

Based on our analysis, it also becomes evident that the insecurity was fostered by the employees' feelings of loss of control and trust towards management. As Bijlsma and Frankema (2001) and Lakshman (2011) argue, trust has a large role in managing cultural integration. Trust is one of the fundamental principles that can facilitate for integration and commitment to the shared goals and values within the organization. The authors note that if there is trust in the integration process, people will be more willing to change their differences and mould them into wider perceptions of collective thinking and feeling. Bijlsma and Frankema (2001) claim that trust has an effect on the relationship between managers and employees since trust fosters attribution of positive feelings and higher tolerance and acceptance towards the managers' decisions and sense of unfairness can create resistance to the integration process amongst the employees. Therefore, we see a clear connection between the employees' unwillingness to commit to the shared values of the organization, the loss of trust in management experienced by the employees, and the interrupted cultural integration process.

Based on the fact that our analysis shows that the interrupted *how* phase damaged and inhibited the cultural integration process in such a distinct way, we acknowledge that how cultural integration is managed in the pre-merger phase is important in order for the employees to accept the attempts to integrate the cultures. In addition we see this as important in order for the employees to understand how they are supposed to grasp the cultural integration process and what is expected of them in the process.

To conclude this part of the discussion, we find that because management planned and executed the *how* phase as a grand technocratic project, this lead to a

misalignment between the espoused values and the basic assumptions which resulted in a difficulty for the employees to relate to and enact the values formulated by management. In addition the misalignment of values together with the uncertainties and insecurity that followed from the lost contract led to a loss of trust in management and all these implications consequently resulted in the interruption of the cultural integration. Therefore, it is visible from this discussion that even though management creates a sense of urgency and a clear cultural end-state in the pre-merger stage, employees still have a hard time to understand how they are supposed to change. Thereby, we can conclude that how the cultural integration process is facilitated for and managed in the pre-merger stage has significance for how the employees accept and understand the cultural integration.

### **5.3 The Interconnections**

From the above discussion of our empirical findings we can see that how the *how* phase was managed, to a large extent had implications for the employees' acceptance of the cultural integration. In addition, from our analysis we also find that both the communications team and several of the employees feel that the culture played an important role in the merger. We base this on the fact that the employees and communications team see the cultural clashes as the biggest challenge in the pre-merger process and that they believe that if they had worked more with culture in the pre-merger stage, the integration process would have been smoother. This can be interpreted as the employees ascribe a lot of meaning to culture and the role it played in this merger process. Nonetheless, culture is indeed an ambiguous and vague concept (Alvesson & Sveningsson, 2015). We therefore argue that the ambiguity makes culture difficult to understand as well as makes it difficult to find a causal relation between culture and problems in the merger process. Accordingly, we interpret that this could mean that it is easy for employees to ascribe confusing problems and uncertainties in the merger process to culture. In addition, we have found other factors that apart from culture can be related to the problems and uncertainties in the pre-merger process.

We claim that the strategic circumstances had substantial impact on the interruption of the *how* phase. Keeping track of customer contracts, their expiration or

cancellations, can to a large extent be seen as a part of the production and operations assessment in a strategic due diligence in a pre-stage of a merger (Harvey & Lusch, 1998). We thereby see that strategic fit in this case had significance for how the cultural integration process was carried out. The reason for this is that if the strategic due diligence had predicted the cancellation of the contract, the cultural integration process might have carried on without interruption and been accepted in a natural way. Based on this we can see that there is an interplay between the cultural integration process and strategic fit in the pre-merger stage and therefore argue that management of both the strategic fit and cultural integration in the pre-merger stage had influence on how employees perceived the *how* phase and accepted the cultural integration.

Apart from the interplay between particular management and behaviour schools, interconnections between different stages in the merger process can be identified from our analysis. The empirical material indicates that several employees now witness how the cultural integration after the pre-merger stage has moved into a positive phase where the new values are understood and there is less insecurity in the organization. The analysis shows that the continued cultural integration activities and the time have helped the employees accept the change. They feel more secure with their new tasks and culture, and in regards to employees feelings and customer satisfaction, the merger can be seen as successful. From our analysis we can thereby interpret that the acceptance of the culture and positive feelings in the post-merger stage have been made possible after the continued cultural integration activities in the post-merger stage. This interpretation makes us conclude that value creation for the employees, indeed takes place in the post-merger stage, as suggested by Haspeslagh and Jemison (1991).

Nonetheless, from our findings we can also see that all value is not exclusively created in the post-merger stage, as claimed by Haspeslagh and Jemison (1991). We are able to draw this conclusion since the positive phase and feelings the employees from Swebre feel in the post-merger stage, would not have been possible without the pre-merger stage activities that facilitated for the employees' acceptance of the cultural integration. The time and effort management and the communications team dedicated to designing and executing the merger and cultural integration process

have, as shown in our analysis, facilitated for the initial understanding of the sense of urgency as well as the later acceptance of the cultural integration. Consequently, based on this we see that the pre- and post-merger stages are interconnected to each other.

To conclude this section, we claim that the strategic circumstances had substantial impact on the interruption of the *how* phase and we see that the strategic fit in this case had significance for how the cultural integration process was understood and accepted by the employees. Therefore we argue that management of both the strategic fit and cultural integration in the pre-merger stage have influence on how employees perceive the *how* phase and the cultural integration. Based on this we can also see that there is an interplay between the strategic management school and the organizational behavioural school in the pre-merger stage. Additionally, we posit that the acceptance of the culture and positive feelings in the post-merger stage have been made possible partly due to the continued cultural integration activities after the pre-stage of the merger, which makes us conclude that value creation to some extent takes place in the post-merger stage. However, we can also see that all value is not exclusively created in this stage and the effort management dedicated to designing and executing the cultural integration process have facilitated for the later acceptance of the cultural integration. Based on our discussion we therefore state that both the pre- and post-merger stage as well as both strategic management school and organizational behaviour school have an interconnected significance for the merger outcome.

## 6. Conclusion, Implications and Future Research

With our qualitative study we aimed to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes. Based on our study of the Swebre merger we found that the first two phases in the management's plan for the merger, *why* and *what*, was received well by the employees as the employees seemed to have understood the importance of *why* the change was needed as well as *what* the desired end-state was. Nonetheless, the misalignment of values together with the uncertainties and insecurity that followed from the interrupted *how* phase led to the employees losing trust in management and these implications consequently resulted in the interruption of the cultural integration. Hence, we can conclude that how the cultural integration process is facilitated for and managed in the pre-merger stage has significance for how the employees accept and understand the cultural integration.

Our second finding shows how the strategic fit in this case had significance for how the cultural integration process was carried out. We can also see that that the acceptance of the culture and positive feelings in the post-merger stage were made possible partly due to the continued cultural integration activities in the post-merger stage, which makes us conclude that value creation to some extent takes place in the post-merger stage. Nonetheless, from our discussion we also find that not all value is exclusively created in the post-merger stage and the effort management dedicated to the cultural integration process in the pre-merger stage facilitated for the later acceptance of the cultural integration. We therefore find that both the pre- and post-merger stage as well as both the strategic management school and organizational behaviour school have an interconnected significance for the merger outcome. We have thus fulfilled the aim of this thesis, which was to get a deeper understanding of cultural integration in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes.

As illustrated in the problematization of this thesis, there is an extensive body of research on mergers and acquisitions trying to explain the high failure rate in mergers and what factors are crucial to consider in order to facilitate for a successful merger.

The failures are ascribed to many different elements and researchers posit that it might stem from both an overemphasis on strategic and cultural fit in the pre-merger stage and on cultural integration in the post-merger stage (Angwin et al., 2014; Appelbaum et al., 2000; Gomes et al., 2013; Nahavandi & Malekzadeh, 1988), without any regards to the interconnection between the different stages (Marks & Mirvis, 2011). Our findings strengthen the assumption that this fragmentation can be associated with the lack of interconnection between the different stages of the merger, as well as the interplay between the strategic management school and the organizational behaviour school. Furthermore, we have with our study been able to contribute to the research field of mergers and acquisitions by connecting it to the field of organizational cultural change and study this within the specific context of pre-merger. We have done this by presenting a case example where management of the cultural integration process in the pre-merger stage has been recognized as important in order for the employees to accept and understand the cultural integration. Thus, the managerial implications of our findings show that facilitating for cultural integration already in the pre-merger stage can have positive outcomes for the merger and that there is a need for managers to work with cultural integration continuously throughout the merger process.

Furthermore, it is easy to see mergers as a change project with a clear start and finish, with particular activities in each stage of the merger. Yet, our findings have made us see that cultural change in mergers are highly complex where all merger stages and different research schools have significance for the merger outcome. Hence, this case study has illustrated the limitations of viewing cultural change in mergers as a grand technocratic project, which has made us interested in the potential benefits of viewing mergers as an emergent process rather than planned. Alvesson and Sveningsson (2015) note that it has become more common to talk about organizational change as a continuous process without a clear beginning or end. The process approach to change take managerial aspirations to accomplish planned change seriously, yet acknowledges that these executed plans are always altered and reinterpreted in erratic ways, in the complex and chaotic organizational reality. Therefore, we believe it would be fruitful for future research to investigate the process approach to change in the context of mergers, especially in regards to the interconnection between the different merger stages. In addition, to further strengthen our findings and the

interconnection between the different stages of a merger, there is a need for more comprehensive future research focusing on the management of culture in the merger process. As mentioned before, the research on cultural integration in the pre-merger stage has received sparse attention from scholars. In order to deepen the understanding of this area, we believe it would be beneficial to conduct a longitudinal study of the different stages of a merger with attention to how the cultural integration is managed in all phases as well as how it is perceived by employees throughout the process.

The objective of Swebre was to reach cultural integration in the merger. However, as our findings show how the employees of Swebre experienced clashes between the different pre-merger cultures, it made us reflect upon if other possible acculturation strategies could have been an alternative for Swebre. During our research we have encountered theories regarding other acculturation strategies and the possibility of merging organizations to decide on other cultural end-states than cultural integration, for example sharing operations and brand but keeping separate cultures at the different local offices. We thereby recognize the need to question what Bijlsma and Frankema (2001) claim, that there is a need to integrate the different cultures from the pre-merger companies. Thus, we find it interesting in future research to examine if cultural integration always should be the desired end-state or if other types of acculturation are more suitable in some contexts, and how they can be managed.

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# Appendix: Interview guide

We are two students from Lund University who write a master thesis concerning mergers and culture. Our purpose with the study is to get a deeper understanding of culture in the pre-stage of a merger process and by doing so also contribute to an understanding of merger outcomes. You are more than welcome to elaborate on your answers and tell your story based on your personal perceptions and experiences. Your answers will be completely anonymous throughout our work, both for your employer and for the readers of this thesis. We also want to clarify this interview only will be used as a basis for our thesis and will not be published elsewhere. We would like to audio record the conversation, if that is okay with you? Do you have any concerns or questions you would like to bring up before we start?

## Background

- Would you like to tell us a little bit about your position at Swebre?
  - Role?
  - Responsibilities?
  - How long have you worked here?
  - Where did you work before?
- Who do you communicate with during a work day?
- Do you have contact with other local offices in your daily work?
- If you encounter a difficulty in your work, such as completing a task, who would you talk to then?
- Does your current role differ from your previous role in XX?

## Culture

- What motivates you to go to work every day?
- How would you describe Swebre to your friends and family?
- What do you think is a good reward for a well done work?
- If you could change anything with your work or work environment, what would that be?
- How do you interact with your colleagues?
- How was it to work at XX earlier?
- Do you feel that the culture in your region has changed since the merger?

## The merger

- When and how did you find out that you would become the brand Swebre?
- Can you recall your initial reaction to the information about the merger?
- How did you perceive that your colleagues felt in regards to the merger?
- Did you perceive that your work would change in any way? If so how?

- How were you prepared for the merger?
- How were you involved in the initial planning of the merger?
- How did you perceive the Swebre Academy?
- Are there any differences in working for Swebre and for XX? If so, what are the differences?
- What do you think was the biggest challenge with the merger?

### **Conclusion**

- Do you have any additional questions or concerns?
- Any reflections you would like to share with us?

Thank you for your participation!

### **General follow up questions regarding these themes in the interview were:**

- Could you give an example of ...?
- Do you remember a situation when ...?
- Could you describe that in more detail?
- Do you have other examples of this?
- Is it correct that you feel that ...?
- How did you feel in the ...?
- Are there other situations where you have had the same feeling?