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**TRUST AS A SOCIAL CONSTRUCT:  
IMPLICATIONS FOR POST-ACQUISITION  
INTEGRATION**

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## **ABSTRACT**

While post-acquisition integration entails process and system alignment, it first and foremost involves people. Generally speaking, post-acquisition integration projects raise a need for collaboration between the employees in the acquirer company and in the acquired company, but also within the acquired unit itself. The role of mutual trust – a shared belief that the integration will have a mutually beneficial outcome for all parties involved – in this process has been the starting point for this thesis.

This thesis has discussed the meaning and role of trust in a post-acquisition organizational environment both from a theoretical and an empirical angle. Based on an in-depth case study, the specific aim has been to establish how trust can be constructed in post-acquisition integration.

Through the construction of four empirical ideal-types, we believe we have shown how diverse organizational groups attach different meanings to trust through sensemaking and identity construction processes. Our findings suggest that while trust can play a facilitating role in post-acquisition integration, trust cannot be constructed by any individual actor. Instead, trust develops from social interaction and is grounded in the values adopted over time.

**Key words:** post-acquisition integration, sensemaking, trust, identity, narratives

## **FOREWORD**

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# 1. INTRODUCTION

*The aim of the introductory chapter is to present our problem analysis and to establish objectives for this thesis by outlining our frame of research.*

## 1.1 Background

Acquisitions can be regarded to be a mission almost impossible, far from completed when the contract has been signed. The acquisition moment is just the beginning of a long journey.

While trust has been widely studied by both organizational and sociological academics, the role of trust in greater organizational transformations such as acquisitions has not gathered similar interest.

The research focus on the construction of trust in post-acquisition integration settings has both theoretical and practical rationales. First, our initial frame of reference for this thesis was an underlying interest in examining the post-acquisition relationship development between the acquirer and the acquired unit. Second, our thesis case corporation (recently acquired by a foreign corporation) expressed the wish to focus on “*how to capture the hearts and minds of people*” in order to successfully introduce and implement certain financial processes. After conducting a few screening interviews at the case company, we found a common base for developing the parent-subsidiary relationship and for post-acquisition integration in the concept of trust.

The initial interviews indicated that post-acquisition financial integration was not experienced by the interviewees as ‘normal’ organizational change, but as a sign of distrust by the acquirer towards the local way of conducting business.

The transition from the ‘old’ to the ‘new’ (post-acquisition) organizational reality involves both opportunities and threats for the people involved. Trust can be a risky investment (Luhmann, 1979) as illustrated in the classical Prisoner’s dilemma, in which two prisoners are suspected of having committed a crime but evidence against them is weak. In order to convict the prisoners, at least one of them must confess. Locked apart from one another, the prisoners are faced with

the same options: if A confesses to the crime while B denies it, A will be set free and B will be convicted for life. If A and B both confess, both will serve 25 years. Only if both trust each other enough to both deny the crime, will they both be set free. In our interpretation, this dilemma demonstrates the power of trust, enabling individuals together to gain more benefits from trusting each other than from not trusting each other.

While the prisoners in this classical illustration had a shared objective in their minds – to be free – we must for the purpose of our thesis adjust and add another dimension to the paradigm: How can trust be constructed between groups of individuals with different interpretations of various integration related objectives?

By analyzing how trust can be constructed, we hope to create an understanding of the mission impossible of making post-acquisition integration happen, replacing the impossible with the possible.

## **1.2 Describing and defining the research focus**

Mergers and acquisitions are two terms often used interchangeably and are frequently discussed as a ‘package’ in academia. The findings of this thesis might be extended to merger settings but this thesis only focuses on **acquisitions**. While the empirical part of this study deals with a cross-border acquisition, no further restrictions will be made considering the applicability of the findings to various cultural settings, be they national, ethnic or corporate cultures. Due to practical and logistic reasons, the main perspective taken in this thesis is that of the acquired company and thus on the changes that have taken or are currently taking place in the acquired unit.

The central interest of this thesis circles around **post-acquisition integration**, i.e. the “*degree of interaction and coordination between the two firms*” (Larsson and Finkelstein, 1999:6) after an acquisition. With ‘post-acquisition’ we refer to the time period after an acquisition during which integration between the two corporations is rolled out. Post-acquisition integration in practice means diverse organizational changes that are undertaken with the objective of synergies.



Roughly divided, synergies can mean:

- financial advantages such as economies of scale, tax savings;
- strategic advantages such horizontal or vertical position within the industry;
- and/or considering especially the recently much discussed knowledge economy, advantages related to sharing, transferring and developing knowledge.

(See e.g. Hubbard, 2001 or Birkinshaw, Bresman, and Håkansson, 2000a.)

In practice, post-acquisition integration not only influences work practices or organizational structures, but also personal and social relationships. Likewise, acquisitions tend to have implications for resource allocation and power systems, distinguishing “*clear winners and losers where power is not negotiable*” (Hubbard 2001:7).

Regarding our interest in post-acquisition integration, we would like to briefly touch upon some of the studies that have been influential for this thesis and the choice of theories. Our ‘human focused’ research approach is influenced by Lohrum’s (1996) work on post-acquisition employee behavior. She claims that negative or positive post-acquisition attitudes are closely linked with social identities and group attachment. Another theoretical influence can be found in the sensemaking perspective employed by Vaara (e.g. 1995, 2002, 2003) in his research on mergers and acquisitions. Employing the sensemaking school of thinking, a central interest area concerns how organizational members make subjective interpretations of the acquisition events, constructing their post-acquisition worldview accordingly (Vaara, 1995).

While the above mentioned studies have had an effect upon our choice of sensemaking and social identity theories to illuminate the construction of trust in an organizational context, our interest in trust itself cannot be traced to any previous studies for one good reason. Trust has seldom – if ever – been a central topic in acquisition studies. Considering our case study unit (a finance department, see Chapter 2), it is, however, interesting to note that organizational scholars have discussed trust most recently in relation to information and control (e.g. Tomkins, 2001), or trust as a means of control (e.g. Mills and Ungson, 2003), or management accountants’ role in building trust (e.g. Baldvinsdottir, 2001).

### 1.3 Analyzing the research problem

Why cannot companies just integrate their systems and structures to roll out synergies? Post-acquisition integration entails full-scale change skills by the managers and employees involved, equipped with few other alternatives than to rely on their previous experiences. Traditional change management approaches suffer in our view from a similar “*inherent tendency to reconstruct and sanitize the change process*” (Collins, 1998:127), i.e. they simplify past change accounts, which offer little match to the new organizational reality. Consequently, post-acquisition integration calls for a new kind of approach to change that would go beyond ‘molding’ people and their social surroundings to fit the new circumstances; a change approach that would see present and future post-acquisition integration aided – not dominated – by the past.

In this thesis, we follow the lines set by Birkinshaw et al (2000a), who stated that task integration (aiming at operational synergies) is highly dependent on the success of human integration (creating positive attitudes towards the merger or acquisition). The main line of thinking is that while people are the key for actualizing synergies, post-acquisition integration demands a fundamental change of the organizational worldview beyond “positive attitudes”. First, integration projects imply collaboration between individuals in the acquirer and the acquired unit to establish and implement any changes. Second, in order for these changes to make sense for both parties, they must be viewed mutually favorable. Both of these conditions require **mutual trust**.

*To trust someone means that the trustor presupposes that the trustee will act in a way that is beneficial to the trustor, or at least in a way that will not cause harm to the trustor (Baldvinsdottir, 2001:26).*

However, an organization consists of individuals who may differ in their personal opinions on what is “beneficial” for the organization – and for the individual him/herself for that matter. The likelihood of the acquired employees automatically trusting that the new parent will not “harm” them, or their colleagues, is small. Post-acquisition atmosphere could be more likely described as distrustful and suspicious, challenging the organizational members’ ability to deal with post-acquisition stress and anxiety (Marks, 1997). Trusting their acquirer and its way of running the newly-joined businesses would therefore

reduce this anxiety within the acquired corporation, allowing individuals to worry less and leave more energy to focus on the work.

We cannot and do not take for granted that pre-acquisition conditions were marked by trust in the acquired company. However, it can be reasonably assumed that institutionalized personal trusting relationships and networks within and across teams and units were present. As the picture changes, so do relationships and networks, as the organizational members define and redefine, construct and reconstruct the concept of trust and what it stands for.

In our interpretation of Bittner (1965), studying the concept of trust is meaningless until given meaning in social contexts and by different actors. Therefore, to study organizational trust is to relate to the contextualized sensemaking and understanding of the subject being studied. In this thesis, we present an in-depth case study to account for the underlying way in which individuals and organizations construct trust and the central implications of such processes. In accordance with Bittner (1965), we take the **meaning of trust** as a concept as our research base. To gain understanding of the how the meaning of trust is understood in a post-acquisition organization, we will examine sensemaking processes as narratives as well as examine how social identities influence these sensemaking processes, and vice versa.

To understand how individuals construct their worldviews or realities, the wider framework for this thesis relies upon social constructivism, which disregards the notion of ‘reality’. There is, apart from individual perceptions, no absolute, common, objective or real reality (Czarniawska-Joerges, 1993) - simply stated, it just does not exist. Thus, the organizational dilemma to construct shared meanings in a compound setting where there is no ‘natural’ shared reality remains.

## **1.4 Research objectives and research question**

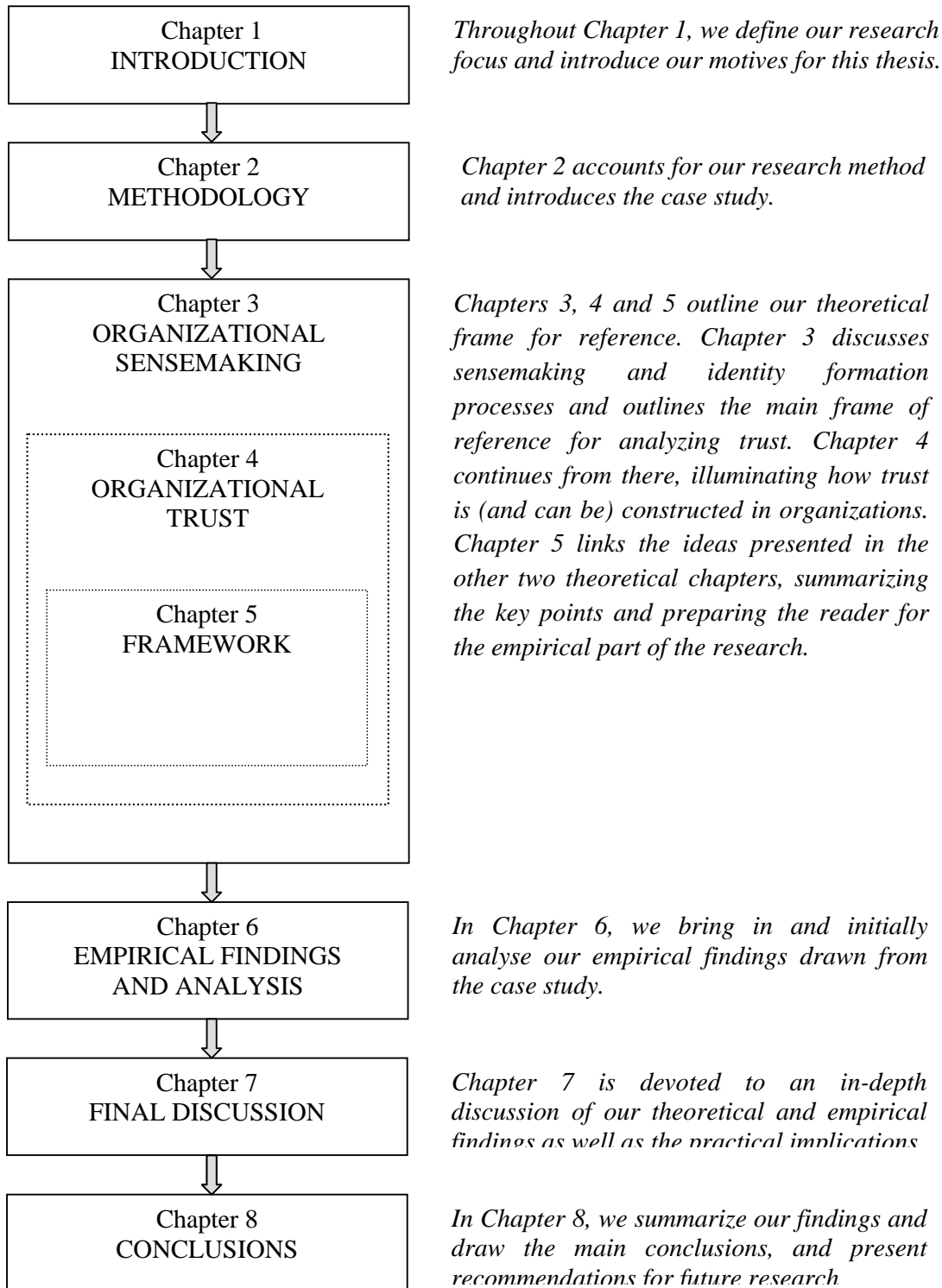
The main purpose of this thesis is to illuminate how trust can be constructed in post-acquisition settings and to create an understanding for how organizational members can build and maintain trust in integration processes. We are interested in finding out what is the role of trust in post-acquisition settings.

More specifically, our research question is:

**How can trust be constructed in post-acquisition integration processes?**

Instead of placing the main emphasis on defining what trust actually is or is not, we will present a more reflective constructionist discussion surrounding trust. A case study will illustrate how organizational members' (i.e. individuals and social groups of individuals) perceptions of the meaning of trust - or the perceived lack of it - influence post-acquisition integration.

Figure 1 on the next page summarizes the flow of the thesis from Introduction to Conclusions.



**Figure 1. Research outline and chapter disposition**



## 2. METHODOLOGY

*This chapter concerns the data collection conducted for this thesis, introducing the methodological approach of this study. We also discuss our case study method in general and the specific case study and the data collection conducted for this thesis in particular.*

### 2.1 Research approach

One aim of our thesis is to combine knowledge from diverse fields of organizational analysis. While we are mainly drawing on organizational behavioral thinking, we have also found a significant source of influence in sociology. This thesis is about finding a balanced view on organizational change that is neither ‘under-socialized’ nor ‘over-socialized’ (Collins, 1998). Trying to understand a post-acquisition organization requires, in our minds, an understanding of organizational members and their personal and social experiences. This thesis presents a view on the organization,

*---not as concrete external reality, but as subjective and personal constructs, defined and experienced differently by the various individuals and groups who come into contact with them (Collins, 1998:173).*

Our role as researchers is that of interpreting others’ construction of reality. Hence, this thesis could be classified being part of the interpretative school of research (Burrell and Morgan, 1980).

### 2.2 Case study approach

To understand how trust is constructed in a post-acquisition organization, we have chosen to conduct a qualitative case study about a quite recently acquired company. Conducting a single case study has provided us with a contextualized understanding of the complexity and ambiguity of post-acquisition organizational issues. The rich and embedded real-life context – where the case study takes place – opens doors for generating knowledge beyond the specific context (Yin, 1984).

Case studies can take various forms, but for acquisitions, longitudinal case studies (conducted over a longer period of time) seems to offer natural advantages. Considering that the relationship between the joint companies goes through various stages in the acquisition aftermath (from uncertain honeymoon to turbulence, see Finkelstein, 1986) with obvious implications for the employees, we can only agree with this recommendation. Due to time and resource constraints, however, this case study only presents a snapshot of organizational life. Still, a similar artificial time constraint is set for studies of any length.

In an interpretative case study, reliability or validity discussions have less to do with how to draw objective findings and more to do with subjective perceptions of what is regarded as ‘objective’. As long as the researchers express their subjectivity and its intervention, it “*becomes objectified into an object that is clearly the researcher’s point of view*” (Patton and Appelbaum, 2003:69, with a reference to Hamel, 1993). Hence, we as researchers are the critical variable in this case study (Gummesson, 1991) to a large extent determining the research quality.

### 2.3 Case introduction

The case corporation is treated anonymously in this thesis. On one hand, this sets clear limitations for the reader and his/her understanding of the local context and its backgrounds. On the other hand, anonymity can be regarded as strength for our findings and analysis. Being unable to introduce specific business and industry related conditions of the case corporation, we have been forced to concentrate on the constructionist viewpoint of trust, focusing more on “how” questions, instead of answering “what” questions.

In agreement with the anonymity requirements, we will briefly introduce the case study unit. The case corporation (**the Subsidiary**) was rather recently acquired by an international corporation (**the Parent**).



The main case study unit is the Subsidiary's finance department, consisting of:

- **Central finance unit**, responsible for corporate finance and accounting.
- **Operational finance units**, each responsible for their specific operational area (e.g. marketing, R&D, purchasing and other administrative areas).

More case specific background information on the Subsidiary-Parent relationship, the finance department and the post-acquisition integration will be given in the beginning of Chapter 6.

## 2.4 Data collection and analysis

A basic research problem when examining how post-acquisition trust is constructed concerns the concept itself: trust is a very subjective feeling and experience. Moreover, in social settings, enacting trust is often “invisible” and goes unnoticed until it is missing. Another obvious dilemma is the sensitive and political connotations surrounding a post-acquisition integration, where researchers cannot really go around asking questions like “do you trust x”. Under these conditions, our task has been to look for sensemaking and trust indicators and to interpret them rather than look for concrete proof. To understand how the Subsidiary employees see themselves and their environment, we have therefore utilized the narrative approach in our primary data collection by listening to the employees' mini-stories: their interpretations (Czarniawska, 1997) of the acquisition aftermath.

In this case study, we gathered narratives mainly in an interview format, but also through some informal discussions. In addition, we observed two meetings, where both central and operational finance representatives discussed integration-related issues. We interviewed 22 finance department employees, of whom 13 are working in the central unit and 9 in the operational units. The selection of the interviewees was based on a list compiled by the case corporation contact person, responding to our wish to speak to employees on various corporate levels and with various functions. Age and gender diversity was also taken into consideration. The majority of the interviewees consisted of top and middle management, but we also interviewed some lower ranking employees. In addition, we talked to 5 Staff function representatives.

Altogether 27 interviews were conducted, mostly in the form of a semi-structured discussion following a thematic interview guide (see Appendix 1). The interview guide was designed not to lead the interviewee in any specific direction but to focus on the subject area.

Some interviews were conducted in a quite structured form following the interview guide, while others were more free-flowing and discursive. Quite naturally, some interviewees were more talkative and open than others, adopting a storyteller role while others preferred answering the exact questions we asked. Only one interviewee refused to talk about the interview themes.

The interviews took 30-45 minutes each. Twenty-three out of the 27 interviews were conducted in English (with both native and non-native English speaking interviewees). The reason was that English is the official corporate language, and we wanted to see the impact of language in everyday work. The remaining four interviews were conducted in the interviewees' native language (other than English), due to interviewee wishes. Approximately 75 % of the interviews were attended by both authors – the rest were conducted on an individual basis. Almost all the interviews were taped, and later transcribed. On the remaining few occasions, notes were made during the interviews, but with the objective to adopt the interviewees' own words as often as possible. All interviewees were granted full anonymity, which in most cases helped the interviewees to relax and talk openly despite being taped. Any initial tension tended to disappear when the interview progressed, the interviewees forgetting about the setting.

Our role as researchers – that of an interpreter of others' constructed realities – had its implications for the data analysis. Having both participated in nearly all the interviews, each of us had reached a certain level of understanding of the interviewees' worldviews. Nevertheless, before taking the actual data analysis step, we both read the interview transcripts once again and made separate examinations, which were then interpreted and analyzed together. In this way, we could avoid reaching with too subjective interpretations. The empirical findings are presented using the interviewees' own words as far as possible, illuminating their subjective worldviews – not the researchers'. In our understanding these circumstances ensure that other researchers would have constructed a similar type of analysis.

We are aware of the risk that some interviewees might have tried to influence us or our findings for their own benefit. We have, however, conducted a significant number of interviews, being therefore guarded by the quantity of available comparison data. Besides, as explained, subjective ‘impartial’ opinions are our core research interest and should therefore not be considered ‘errors’.



### 3. ORGANIZATIONAL SENSEMAKING

*This chapter has two interlinked objectives. The first aim is to examine sensemaking theory in the light of enhancing and giving depth to our subsequent analysis. We will also discuss social identity construction processes and how they relate to sensemaking. The second aim of this chapter is to function as a resource or frame of reference for understanding the very concept of trust.*

#### 3.1 Introduction

Sensemaking theory is part of the cognitive research family and focuses on the brain as the instrument for constructing identity and environment (Kezar, 2001). Individuals create their identity and environment (worldview) through social processes. It is by the use of language that individuals can understand their worldviews and the subjective formation (Weick, 1995). The same is true for contemporary organizational research, which takes a recent interest in narratives. What individuals say shows how they construct their reality (Czarniawska 1999). Sensemaking is - as a conceptualized process - how we make sense of the environment by structuring events or by “*placing stimuli into some kind of framework*” (Starbuck and Milliken, 1988:51 in Weick, 1995:4) to (re)construct meaning or understanding. Therefore, sensemaking goes beyond interpreting; it is inventing what should be interpreted (Weick, 1995).

On a more basic level, we would like to draw a parallel to a puzzle. When we start building a puzzle, we have expectations (a frame of reference) on what the result or meaning for that matter will be (i.e. what the picture will look like when we are finished). We then place the pieces one by one in line with our expectation or construction of reality. Of course, we might not be able to fit the pieces together and we will then come up with another meaning than the actual meaning. This parallel to a puzzle might not present an entirely correct picture of sensemaking, as it is an ongoing process without a definite beginning or end (Weick, 1995) and a puzzle clearly is not. However, one could for the sake of this argument think that more pieces would be added to the puzzle all the time making it a never-ending and ever more complex activity. What is then sensemaking really?

Weick describes sensemaking processes to be:

*1. Grounded in identity construction, 2. Retrospective, 3. Enactive of sensible environments, 4. Social, 5. Ongoing, 6. Focused on and by cues, 7. Driven by plausibility rather than accuracy (1995:17).*

### **3.2 Sensemaking and identity construction**

With regard to identity construction, Czarniawska (1996) makes the point that individuals cannot make references to self (one's own identity) without references to others. Identity is constructed through action and interaction, in which individuals expose their 'self' or 'persona' to determine who to be or which face to put on. The construction of identity is driven by three needs:

*(1) the need for self-enhancement, as reflected in seeking and maintaining a positive cognitive and affective state about the self; (2) the self-efficacy motive, which is the desire to perceive oneself as competent and efficacious; and (3) the need for self-consistency, which is the desire to sense and experience coherence and continuity (Erez and Early, 1993 quoted by Weick, 1995:20).*

As the setting or type of interaction changes, the concept of identity becomes redefined, based on evaluations on the individual's past roles and how they match with the new identity – role – taken. “--- *Figuring out what is going on and what should be done is based on who the sensemaker is and his or her background*” (Vaara, 2003:863). Sensemaking rests on a backward reflection. This means that individuals can only reflect on the very moment before reflection started, reflections being nothing more than a set of memories. However, the human memory as such never catches 'the whole'. It rather registers small pieces from which individuals reconstruct their perception of the whole (Weick, 1995). Just think of the point made in 'I've had Alzheimer's as long as I can remember' and the clear inaccuracy appears. Again, this suggests that any current analysis of the situation really is an analysis of an inaccurate past, indicating that sensemaking processes create sufficient or plausible (rather than accurate) pieces of understanding (Ibid, 1995).

As individuals reconstruct identity, they also reconstruct what is outside them. The sensemaker's understanding of the world mirrors the construction of self. Applied in a social context, this implies that individuals create parts of their

own environments and act according to their perceptions of the environment (Weick, 1995).

The effect of sensemaking theory upon organizational life and dynamics could be theorized as well as contrasted as follows: “*Sense may be in the eye of the beholder, but beholders vote and the majority rules*” (Weick, 1995:6). This does capture the significance of understanding sensemaking reflexes and their effect on relationships and organizational life. In our understanding, in an organizational context, it is not about how individuals see the world but about how they adapt to the majority worldview. Using sensemaking vocabulary, an organization could be defined as “*a network of intersubjectively shared meanings that are sustained through the development and use of a common language and everyday social interaction*” (Walsh and Ungson, 1991:60 quoted by Weick, 1995:38-39).

The essential difference between individual sensemaking and sensemaking in organizations is that organizational life “*is taken for granted to a much lesser degree*” (Czarniawska-Joerges, 1992:120). In our interpretation, this suggests that individuals are more open to reconstructing what an organization stands for than to redefining themselves. We feel that this is a rather strong point as the individual’s view of the organization reflects the identity concept. If one changes, so does the other.

### **3.3 Levels of organizational sensemaking**

Wiley (1988, in Weick, 1995) sees three dimensions of sensemaking on top of the individual or intrasubjective dimension: the intersubjective, the generic subjective, and the extrasubjective. Moving on from the intrasubjective to the intersubjective level, the intersubjective meaning expresses reality on a social level, i.e. this is what ‘we’ (as opposed to I) think (Linell & Markova, 1993).

The next level, the generic subjective, deals with social structures. The concept of self is subordinated to social control structure in the organization (Wiley, 1988 in Weick, 1995). Although this offers room for an interpretation of power or ‘master and servant’s’ relationships, we avoid this argument as social power structures are neither set nor fixed. Social structures are constructed and reconstructed through arguing, expecting, committing, and manipulating

processes (Weick, 1995). While the processes as such manifest social control, they also function as tools for individuals (or groups) who seek to reconstruct the structures in place (Hogg and Terry, 2000). Through processes of social arguing, i.e. individuals voicing their perception of reality and commenting on their peers' perception, the organization (equipped with structures and processes) makes sense of its environment and determine its role in it (Weick, 1995).

Reviewing the role of groups, social identity “*the individual’s knowledge that he belongs to certain social groups together with some emotional and value significance to him of this group membership*” (Tajfel, 1972:292), is formed by interactions between groups. Czarniawska (1996) makes a similar point arguing that we cannot label ourselves without references to others (i.e. social labeling), identifying persons like ‘myself’. In our interpretation, Hogg and Terry (2000) view social identity to derive from the need for a positive perception of self. Linking these theoretical ideas, we could see social identification a process where individuals adopt certain roles by accepting or declining group memberships. The construction of social identity is in our interpretation a two-phased process. First, individuals align their perception of self to the role model identity of their in-group, creating in-group behavior and reducing uncertainty. Second, individuals construct their in-group to match the social control structure of the organization in a positive way.

In our interpretation of Weick (1995), the focus on identity shifts to a focus on or identification with culture in the last level (the extrasubjective). “*This is a level of symbolic reality---*” (Ibid, 1995:72), which consists of common reference points and values that individuals identify with, consciously or unconsciously. New and different interpretations of organizational life create uncertainty and trigger sensemaking (Vaara, 2003). Individuals bridge uncertainty about the future by perceiving the present in a secure way. This implies that as the present is a reconstruction of the past, individuals may try to remain in the past (that they know) and to resist change (Hogg and Terry, 2002). The implication for post-acquisition integration could be that individuals keep identifying with (feeling socially attached to) past organizational settings and structure. One variable is that social identities and thus behavior are influenced by the anticipated changes in the status of the group. If individuals construct a non-favorable scenario and thus expect non-favorable treatment, this is what



they perceive they will receive, and this will influence attitudes, motives and objectives (Hogg and Terry, 2000).

This means that the way an individual behaves at any point in time is dependent on how his/her identity is constructed vis-à-vis the social environment. How an individual in turn understand these constructs is based on the past experiences and the interpretation of these. Applied to the level of an organization, this points to the organizational dilemma of having to construct shared meanings, a type of social identity, from a low base of commonality. The construction of a shared reality or common values among individuals corresponds to creating a set of shared ideas or mutual benefits, which was earlier introduced as the basic assumption behind trust. In the following chapter, we will examine and develop the process of constructing trust from a theoretical point of view.



## 4. ORGANIZATIONAL TRUST

*While the previous chapter examined how people construct their social realities, this chapter goes into the core interest area of this thesis: constructing trust. In this chapter, several influential trust theories will be discussed, applying the understanding gained in the previous chapter. Hence, the aim of this chapter is not to provide the reader with a comprehensive overview on trust theories, but to illustrate how trust can be constructed in organizations. In addition, we discuss some post-acquisition challenges for organizational trust.*

### 4.1 Introduction

In organizational terms, the benefits of allowing oneself to engage in a trusting relationship can be specified by quoting Luhmann (1979:24):

*If I can trust in sharing the proceeds, I can allow myself forms of co-operation which do not pay off immediately and which are not directly visible as beneficial. If I depend on the fact that others are acting --- in harmony with me, I can pursue my own interests more rationally – driving more smoothly in traffic, for example.*

This implies that if organizational members believe that others will act not only according to their own interests but also according to our mutually shared interests, they benefit by not having to do everything on their own. Moreover, a social motive develops to take others into consideration and to act in a less selfish way. Ideologically speaking, we can regard trust as a necessary complexity-reducing strategy in social settings, referring to Luhmann (1979). It is easy to relate complexity and even chaos to post-acquisition integration environment, where striving for ‘1+1=3’ synergies often seems to result in ‘1+1=3’ complex environment with ‘1+1=3’ amount of changes. Trust as a complexity-reducing strategy may help employees to bridge the old ‘normal’ state with the new organizational reality (Earle and Cvetkovich, 1995).

As a word, trust can be used as a noun, a verb or an adjective – it can be used to describe feelings, relationships and actions. Trust is a highly subjective concept, and therefore difficult to measure or to define. Still, the concept of trust can and has been interpreted by various researchers. Baldvinsdottir (2001) presents trust as a fulfillment of positive expectations on a certain event and its outcome. She

further emphasizes that in a trusting relationship, people let themselves be influenced by others. Hence, trust involves a risky scenario with indications of “*a critical alternative, in which the harm of resulting from a breach of trust may be greater than the benefit to be gained from the trust proving warranted*” (Luhmann, 1979:24).

Baldvinsdottir (2001) acknowledges the ambiguity surrounding trust, but summarizes that among the academia, “*the attributes commonly ascribed to individuals involved in trusting situations are integrity, competence, consistency, loyalty and openness*” (Ibid, 2001:26). In an interpersonal relationship, both parties should mutually perceive one another possessing these qualities in order to develop trust. In a similar vein, Mayer, Davis and Schoorman (1995) introduce *trustworthiness* as a result of the *trustor* judging the *trustee* upon the following criteria in a specific situation:

1. Ability: the trustee’s perceived skills and competences within a specific domain
2. Benevolence: the trustee’s perceived altruism or goodwill
3. Integrity: the trustee’s perceived fairness and reliability.

This may indicate that trust is a cognitive state that exists or does not exist according to rational analysis; however, trust is basically a “gut feeling” involving ‘good’ or ‘bad’ evaluations. Luhmann (1979) sees familiarity to be a precondition to trust. In addition, he sees trust developing from a blending of knowledge and ignorance, i.e. paying more attention to some issues and less to others. Trust could therefore be understood as ongoing evaluation processes “whom to trust, to do what, in what context” where negative and positive expectations intertwine.

The last attempt to define trust specifies the psychological conditions in which individuals are likely to embody trust, which Mayer et al (1995) label *trustor’s propensity*. Similarly, from Baldvinsdottir’s discussion of individuals’ tendency to trust others we learn that secure and stable self-identities allow the individual “*the courage to expose her/himself to the vulnerability which trusting implies*” (Ibid, 2001:25). This strengthens the mutuality requirements of a trusting relationship suggested earlier. Drawing a parallel to Luhmann (1979), trusting propensity deals with motivational factors. If the individual perceives that the mutual relationship has a certain future, i.e. that the co-operation will have to go

on, it becomes easier (and more meaningful) to commit oneself in a trusting relationship.

Taking an overview, we can now see trusting relationships developing from a mix of mutual familiarity (based on evaluations of previous perceptions and experiences) and mutual feelings (confidence resulting from positive expectations about a beneficial outcome). To trust is to accept the vulnerability, and to accept others' influence on oneself. In practice, human beings would probably not make such distinctions but experience trust as a "gut feeling", a basic assumption in their interaction with other people, which is likely to be 'invisible' until it is found missing. Paradoxically, trying to understand trust has led us back to where we began since "gut feelings" are individually experienced. Therefore, understanding trust involves understanding and accepting its subjective, ambiguous, dynamic and complex nature.

## **4.2 Trust in organizational settings**

We interpret trust as a subjective construct, but as such it makes little sense to talk about trust as a purely personal phenomenon, "owned" by individuals and their subjective worldviews.

*From a sociological perspective, trust must be conceived as a property of collective units (ongoing dyads, groups and collectivities), not of isolated individuals (Lewis and Weigert, 1985:968).*

The social element of trust illustrated above, is according to Lewis and Weigert a necessary premise that enables the organizational members to work together in pursuit of shared goals. In fact, they regard trust as a *social reality*. In our interpretation of organizational settings, trust is continuously built and maintained by individuals in their social groups, through interaction in everyday organizational life.

Examining trust from intersubjective to generic subjective levels, social identity construction processes come into the picture. Williams (2001) discusses the quite natural tendency of people to trust those whom they like, especially their (perceived) in-group members, or those whom they admire, or whose actions are beneficial for them. Conversely, for people who are regarded as out-group

members, less affection and trust can be found if they are perceived to represent different values or beliefs, and if they are perceived as a threat. In a social relationship, trust manifests itself in cognitive, emotional and behavioral dimensions that do not necessarily go hand in hand (Piderit, 2000). Human beings are irrational: they may think one thing, say another thing, and act in a third way. Considering the importance for individuals of preserving a positive social identity, social motives could overrule individual ones.

Shifting our social trust discussion from the generic subjective to the extrasubjective (cultural) level, acquisition researchers have pointed out how post-acquisition sensemaking is often filled with cultural or even nationalistic references (Vaara, 2002; 2003). Employees may seek to defend their identities by relating to their corporate culture or nationality, for instance. According to Earle and Cvetkovich (1995), social trust on these levels can be divided into two trust “strategies”, *pluralistic* and *cosmopolitan* social trust. Cosmopolitan trust is based on the idea that all persons are equal and that national background is of no consequence. The ‘citizen of the world’ thinking – cosmopolitanism – focuses on the emerging groups and the future, and can be labeled an across-group strategy. In more practical terms, cosmopolitanism allows individuals to adopt roles or accept memberships in various groups – for the cosmopolitan; the idea of constituting an in-group is more a matter of including than excluding. Pluralism, on the contrary, focuses retrospectively on existing groups, constituting therefore an in-group strategy that excludes the possibility of adopting other social identities.

Pluralistic strategy does not necessarily exclude social trust, but pluralism can create more distrust than trust in a social community (Earle and Cvetkovich, 1995). For the pluralist, it is a much safer choice not to engage in a trusting relationship vis-à-vis an out-group than to take a risky leap of faith, whereas for the cosmopolitan, there are not similar in- or out-group categorizations. Luhmann (1979) also makes a distinction between distrust and trust strategies on an ideological level, the former meaning that people must be controlled and the latter meaning trusting in people. Distrust can be regarded as the fundamental opposite of trust; whereas trust is constructed with positive expectations in mind, distrust builds on negative expectations. According to Luhmann (1979), distrust as a strategy demands more resources than trust, since it requires more information but also more effort to process and narrow that information.

While such a clear distinction can be made in theory, we assume that in more practical settings, the distinction is less fundamental. Discussing social trust in more generic subjective terms, in larger-scale business organizations, business and management control are most often not interpreted as signs of distrust, but as an institutionalized part of everyday organizational life. Luhmann sees that on a system level,

*---trust depends on the inclination of risk being kept under control and on the quota of disappointments not becoming too large. If this is correct, then one could suppose that a system of higher complexity, which needs more trust, also needs at the same time more distrust, and therefore must institutionalize distrust, for example in the form of supervision. (Luhmann, 1979:89).*

In our interpretation, there are instances when trust and distrust can co-operate despite their ideological differences. In large-scale organizations which can be considered essentially complex systems, organizational trust could be facilitated by keeping the “quota of disappointments” at a minimum level – by means of distrust. In a similar vein, Baldvinsdottir (2001) suggests that management and business control have little value per se without trust in the information they provide, but that control can facilitate the formation of trust in the organization. To trust control, therefore, involves trusting the persons who control. Trusting is first and foremost personified with a ‘fellow man’ (Luhmann, 1979).

### **4.3 Constructing trust**

Trust can be seen to play a key facilitating role in everyday organizational life. For Luhmann (1979), trust is about learning, implying a time dimension. As for Blau (1967), it is through processes of social exchange how trust is – over time and on a continuous, ongoing basis - built and maintained in a social community. By social exchange, he refers to giving and receiving reciprocal favors, which cannot be measured in monetary terms.

*---Processes of social exchange, which may originate in pure self-interest, generate trust in social relations through their recurrent and gradually expanding character. --- Only social exchange tends to engender personal obligation, gratitude and trust; purely economic exchange as such does not. (Blau, 1964:94)*

At first glance, social exchange may belong to informal social communities such as neighborhoods where neighbors help one another. The idea of social exchange engendering trust nevertheless fits more structured social settings such as business organizations equally well. While employees receive monetary compensation for their work, they seldom expect to receive money for helping their colleagues. Considering that a common acquisition ‘symptom’ is heightened self-interest among the acquired employees (Marks, 1997), collaborative social exchange processes could facilitate learning to overcome one’s self-interest on behalf of benefits for the organizational community.

Constructing trust in a post-acquisition context can be hindered by the implicit power asymmetry between the acquirer company and the acquired company. As strategic parent decision-making often overruns local (subsidiary) wishes, the consequence can be that in the subsidiary, these decisions are not perceived as fair (Birkinshaw et al, 2000b). Kim and Mauborgne (1991; 1993) suggest that perceived decision fairness would in these circumstances lead to organizational commitment, trust toward the parent and outcome satisfaction, and that it be constructed in the decision-making process dynamics. According to the procedural justice theory (Thibaut and Walker, 1975, adapted by Kim and Mauborgne, 1991), legitimate two-way communication and especially the parent expressing familiarity and knowledge about the subsidiary’s local conditions could be perceived as key factors for constructing trust.

To summarize, this chapter has introduced trust preliminary as a social construct, a basic assumption in organizational settings but also developed and maintained through learning processes in social interaction. The research implication is to understand that trust is more than filling a checklist of conditions that have to be in place; it is more about understanding local context i.e. the particular social settings in question. Hence, studying trust requires a preliminary understanding of social sensemaking and identity-building processes.



## 5. FRAMEWORK

*In this chapter, we outline and reflect on our understanding of the theoretical frame selected for this thesis. By linking the theoretical ideas discussed in the previous chapters to our research focus, we will form a main framework for our empirical post-acquisition integration study.*

Reflecting on our research area, the construction of trust in post-acquisition settings, our theoretical analysis suggests that individual sensemaking, identity construction and trust form a circular reasoning where it is, if not impossible then very difficult, to separate the items. The reason is that while the labeling (of sensemaking, identity construction and trust) might be very distinctive, the ingredients are not. Trust is, in this context, not an independent variable but rather a part of sensemaking and social identity construction.

While every individual is a ‘sensemaker’, it is through interaction with others that individuals can make sense of what they perceive, associating themselves with others who are perceived as similar (an individual’s in-group) and disassociating themselves from the non-similar (an individual’s out-groups). We regard sensemaking as the process and the result of how an individual makes sense of the world. The reference point for this is the past and past social experiences (Weick, 1995).

In any in-group, members adopt values and norms that make the group look good in relation to other groups. In our interpretation, the shared value-base has two functions. First, it keeps the group together by providing a “social reality” (Lewis and Weigert, 1985) and second, it forms the base for in-group trust. In this context trust is, in our interpretation, a shared meaning that in a social context can constitute a group norm, keeping the group together and functioning. Therefore, the perceived in-group becomes a main reference point for constructing trust towards the external environment. It is through trusting others’ trust that individuals and groups of individuals construct trust towards their environment (Luhmann, 1979). Choosing whom to trust, in what situation, and to do what, involves (re)defining oneself in respect to others, i.e. (re)constructing one’s reality.



## 6. EMPIRICAL FINDINGS

*In this chapter, we will disclose and review the findings from our case study. Instead of structuring and discussing these findings strictly along the theoretical dimensions, the empirical results are presented from a social constructionist point of view. So-called ideal-types are used to present local constructions of the organizational phenomena found in the case study unit. In other words, the findings reflect how the interviewees make sense of themselves and their environments as well as of the post-acquisition integration.*

### 6.1 Background information

As described in the methodological discussion in Chapter 2 and consistent with the anonymity requirement, the empirical data collection has been conducted at the finance department (or ‘finance community’ as they call themselves) in the Subsidiary. The Subsidiary was rather recently acquired by the Parent, a larger international corporation.

Today, the finance and accounting functions are meeting increased external demands for control, mainly due to the Enron and WorldCom accounting scandals, which had worldwide effect. Against this background, the Subsidiary finance staff is working under continuous organizational change, with several on-going integration projects in the company. The central finance unit is a main integration agent within the Subsidiary, which collaborates and coordinates with the Parent and is a main integration interface inwards (towards the operational finance units).

The post-acquisition changes include, for example, aligning internal and external financial reporting (“*apples have to be apples*”) as well as optimizing and centralizing the Subsidiary’s finance processes. In terms of personnel, the finance department has undergone some quite significant post-acquisition changes, with employees leaving their posts in the central finance unit to move to the previous owner or to operational finance units. New faces as well as a few managers from the Parent company have also joined the central finance staff.

## 6.2 Ideal-types

In the following sections, we will present and outline our empirical findings. For this purpose, we have - with reference to Weber's (1971) "ideal-types" - constructed four theoretical typologies of worldviews. These ideal-types are, however, just a means for using the empirical results illustratively, the actual end being (as Weber would say) "verstehen", to understand local sensemaking.

The four ideal-types we have identified (integrator, adopter, reformist and protectionist) were constructed after thorough analysis of the empirical data gathered (based mostly on interviews but also on observation and informal communication). The ideal-types portray typical narratives of the Subsidiary employees and how they make sense of the post-acquisition organizational phenomena (Weick, 1995).

The construction of the ideal-types was, however, not a linear process. On the contrary, we began by analyzing the data, establishing rough dimensions: positive-negative to current integration activities. From this preliminary analysis, we reconstructed our perception of the case findings illustrated by the four ideal-types, taking background factors also into consideration (see Table 1). Each typology consists of 5-8 interviewees, and thus the ideal-types do not correspond directly to any real persons. We chose to classify the persons into the ideal types that they are similar to. On one or two occasions, we as researchers could not agree about the placement of a person into an ideal-type, and we therefore only used these interviews for our general understanding. Because of the low number of non-classifiable persons, we chose not to create a fifth typology. This would otherwise have been an alternative solution (Edström, Norbäck and Rendahl, 1989).

	<b>Integrator</b>	<b>Adopter</b>	<b>Reformist</b>	<b>Protectionist</b>
<b>Current position</b>	Central Finance	Central Finance	Central or Operational Finance	Operational Finance
<b>Level</b>	Top or middle manager	Middle manager or lower ranking employee	Top or middle manager	Top or middle manager
<b>Nationality *)</b>	Foreign	Home country	(not applicable)	Home country
<b>Background</b>	Long-term Parent career. Expatriate experience.	Short-term Subsidiary career.	Long-term Subsidiary career. International experience.	Long-term Subsidiary career.
<b>Role in post-acquisition integration</b>	Integration agent (driver)	Integration agent	Receiver	Receiver

**Table 1. Ideal-types backgrounds**

(Source: Authors' own table.)

Note: \*) Due to anonymity requirements, nationality cannot be stated. With 'Foreign', we refer to a nationality other than that of the Subsidiary 'Home country'.

### **6.2.1 Integrator**

The integrator – with previous Parent experience – has substantial daily interaction with the Parent. He/she sees the Subsidiary as part of the Parent group and thinks in terms of what the Parent company can do for the Subsidiary and how the Subsidiary (the investment) can support the Parent company. The integrator is employed to ease the integration of systems and processes but also to learn how the Subsidiary conducts business. The integrator is a very task and career focused person.

The integrator is clear that the Subsidiary has to adapt to the expressed needs of clarity and “transparency”: “If [business is] not transparent [you] cannot put the business case forward”. For him/her the natural consequence of belonging to a larger entity is that business is getting more complex, and so are control systems. Therefore, systems must be aligned.

*I think that there are a lot of structural issues that need to change, some of those are requirements from the Parent company, some of those are just business/industry requirements. The Parent company has as a financial entity to have the same accounting policies and processes worldwide to get the same results. That has to happen!*

For the integrator, the process alignment also applies to the area of finance. The legal requirements for reporting are getting tighter and the Subsidiary must report in a much more consistent manner. As part of a large corporation, the Subsidiary must have clear and consistent rules to get the information flow throughout the organization. While the integrator supports adjustment and very clear structures, this does not imply that he/she is naïve about the impact of the change process.

*I don't think that anyone has any impression of the numbers of requests going backwards and forwards...---and there is a constant stream of pressure, do that, change that... that could be handled better. --- You always have a limited number of resources, it's difficult enough to run business without having the underweight of fundamentally changing your business structure as part of an acquisition.*

In this process, the integrator views his/her role in change agent and mediator terms. This role is also underlined by his/her investment view of the Subsidiary. The Parent company has invested a significant amount of money in the Subsidiary, expecting return on investment, and one way do this is to make sure that the company finance is in the Parent's hands.

*There are two aspects of change. One side is the process management, systems and the way we analyze. The other side has been to trying to bridge two cultures, the corporate culture and the approach to business. I see my role as part as trying to bridge, helping my Subsidiary colleagues to understand what the Parent is looking for and vice versa.*

In the integrator's opinion, one problem is that employees in the Subsidiary do not understand the transparency (information) requirements.

*We are just trying to come together, to take the best of the Parent ways of doing things. --- That's a key part of our role here to give people all that information so that they can take the decisions required, to get the right balance for the business, for the future.*

As soon as the employees in the Subsidiary understand what is going to be useful – it's not to measure their business but – to help the Subsidiary grow, the integrator sees that employees are much more comfortable. In his/her role, it is important to take time with employees and to explain what is going on in the business and what the Parent company is looking for and why they need it. In this process, prioritizing is one of the biggest issues for the integrator.

*---We don't say no to anything. If you can't say no and prioritize, you burn people out, you have to help the employees to prioritize so that they can feel trust, my manager is helping me.*

The difference between market conditions and the demands from the Parent company are two separate items in the integrator's mind. In his/her view, the Parent company is the facilitator telling the Subsidiary what market conditions dictate, i.e. what needs to be done. And one thing that needs to be done is to lose the 'lagom' \* attitude that a company cannot have when competing globally. It is not good enough to report profits (as the Subsidiary does), as growth targets must also be reached. In reviewing current business circumstances and the Parent-Subsidiary relationship, things are not always that clear cut.

*I think that many things are good if the company makes money and people are reasonably happy. The Parent company is not doing so very well and that supports some of the positions that people in this Subsidiary have because they do not want to take directions from a company that is losing money... I think that one has to distinguish between the way the company is run and circumstances from processes and how it evolves over time.*

*I think what upsets me is when I read in the press that the Parent company is taking all the money out of the Subsidiary. I think that there is a lot of misinformation inside this Subsidiary.*

The integrator is aware that the Parent company and the Subsidiary have very different decision-making practices and authorization rules, and interpretations of what they mean and what they stand for. He/she perceives that it would help if more Subsidiary employees went abroad on expatriate packages to learn to understand the Parent "Western" business approach and management style. The integrator experiences the Subsidiary decision-making style as very typical for

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\* 'Lagom' is a Swedish expression, with the approximate translation "everything in moderation" (Norstedts, 1992).

the Subsidiary home country. Referring to meetings focused on reaching consensus: in the Subsidiary, the integrator states “*you have to compromise all the time*”:

*Everybody has an opinion. --- What you decide in the meeting has already been decided somewhere else (before the meeting).*

In the Subsidiary, which used to be extremely decentralized compared to where the integrator comes from, decision-making power was localized in the organization. This has changed now since the new Parent took charge.

*The Parent company has very strict rules and regulations on who can do what and who can't do what. The general principle behind that is, the bigger the decision, the higher it goes. --- I never felt in the Parent company that I wasn't trusted for that. People in the Parent company don't believe that just because I can't do it, it doesn't mean that I'm not trusted or valid. [Subsidiary home country] people who have been told that there are no rules and regulations, you guide it on trust, we trust you do it right, to have these rules certainly feels as a removal of trust. --- It's very difficult to convince a [Subsidiary home country] person that this is not the case. --- Not that I cannot make a decision, as far as I'm concerned, I would rather have my manager in on the decision anyway for various reasons, one, he's probably been there, two, he has the experience and three, he'll guide me to the right decision.*

To the integrator, the Parent company's way is not about trust of the individual; it is about structuring a huge operation by setting directions from the top in order to benefit the whole organization. In his/her role as a change agent, the integrator needs to explain to employees why things are done and to keep employees informed and give them the opportunity to express their views.

*I learned fairly soon after I arrived that anything I want to change, I have to go to the department meeting and we're going to have a huge debate and discussion about it. In the Parent culture, if you're a senior manager, I think you need to be able to take decisions and people will say 'ok, the manager has decided' and so that's what we've got to do.*

### **6.2.2 Adopter**

The adopter is located in central finance and has a relatively close working relationship with the integrator. He/she participates in integration projects and is



accustomed to changes. The adopter recognizes his/her fellow colleagues' devotion towards the Subsidiary and its products, and has a certain pride and loyalty towards the company him/herself as well, but acknowledges that:

*The Subsidiary spirit is sometimes a hindrance to change and the Subsidiary needs to change as well and adapt to changes and to the new corporate setting.*

From the central working position, the adopter considers comprehending a broad viewpoint on both the internal and the external business environment:

*When you work in central finance you are deeply involved with all these issues that the company is facing. You have all the knowledge about the financials. You see all the details and get another understanding of what is behind the decisions.*

The adopter is very conscious of the necessity to have a strong Parent ensuring capital for product development, and also sees a need for volume growth in order to survive in a tough competitive market.

A hectic working tempo and increased information needs from the Parent constitute a challenge for the adopter, and he/she experiences stress just like any other Subsidiary employee. However, the adopter sees this stress as part of the contemporary business environment. When the adopter's colleagues worry about the acquisition posing a threat to the Subsidiary's long-term business, the adopter does not believe that the Parent should be blamed for everything:

*Business in general is pushing more for short-term, the speed in business for change is increasing tremendously, and puts a bigger pressure on companies to be short-sighted.*

As part of the integration teams which introduces changes to the rest of the organization, the adopter has experienced struggles and resistance, as people in other parts of the Subsidiary resist the changes.

*The ability of central finance to drive change is limited because the lack of support from other departments, operational units.*

The adopter sometimes feels pressured as the link between the new finance instructions and the employees out in the operational units.

*You know, don't shoot the messenger.*

Nevertheless, the adopter simply accepts his/her work as it is, “business is business”.

*The Parent sometimes explains why they [the employees in the Parent company] need things and sometimes they don't and then you just have to be a good soldier and do your work.*

*The Parent is operating this way and given the size of the Subsidiary compared to the rest of the Parent company, why should we have a different set of processes than the big company? We are too small to be independent.*

### **6.2.3 Reformist**

The reformist is reasonably happy with the new Parent, the integration process, and the opportunities offered by being part of a larger international corporation. The reformist has a rather balanced view of both positive and negative experiences and is aware of differences and problems that are connected to the differences in, for instance, culture and language. Overall, the reformist thinks that the new Parent has had a positive influence on the Subsidiary, which used to be “*a bit special before*”.

The reformist tends to compare and contrast how things worked within the Subsidiary before the acquisition with how it is today. While the reformist does not think that all changes have been for the better, he/she feels confident about the way things will turn out. The reformist perceives that there is a bit too much bureaucracy, while operational work must be done as well. Still, he/she thinks it is necessary for such a large (Parent) corporation, but recognizes that not everybody in the Subsidiary shares his/her view.

*The Subsidiary in the past was focused on responsibility; you were supposed to deliver the bottom line. I see the new Parent as being more prescriptive, I perceive it more as micromanagement. At the same time that can be misinterpreted as a lack of confidence. The feeling is that everything is being checked, that you lack the freedom... People in this Subsidiary have the responsibility but not the authority.*

The big change for the reformist is that there is a much more structured way of working today, a much more centralized way to handle things, which is perceived as good.

*When I entered the Subsidiary, I was surprised by the independent systems throughout the world and how the company could be managed that way. So part of the centralization we have right now is only healthy. --- The negative part of control is of course all these detail-oriented questions, often without a very polite tone of voice --- that creates part of the mistrust among us.*

After the acquisition, responsibility has been lifted up in the organization, which is both positive and negative in the reformist's mind. One risk is that too much time is being allocated to internal control processes. "*Sometimes control costs more than not having control*". The intensity of work and the frequency of changes have increased but the reformist feels that just needed to happen.

*We [the Subsidiary] are the purchased one and we probably have to adapt more to them [the Parent] than they to us in reality. That we still have so much of our independence left is because of our results.*

From the reformist point of view, the changes have not happened solely because of the new Parent but because of very tough market conditions today.

The reformist perceives that his/her colleagues sometimes tend to forget that the Parent has invested a lot of money in the Subsidiary - "*That disappears somewhere along the way*". He/she also reflects on that the Subsidiary has not delivered what it has promised in terms of sales targets.

The reformist has a clear perception of the differences between the Parent company and the Subsidiary. The Parent company is a much tougher organization with a higher pressure 'to deliver'. While the integration will continue and be even clearer, there is a lot of frustration and irritation coming from the new way of doing things. The reformist does not think that the Parent company can understand the Subsidiary. There are too many layers of people in between. The reformist believes the Parent style is more direct, where the manager more tells the employee what to do. "*You are going to do as I tell you even if it's wrong*". The reformist says the manager is used to getting what he/she asks for, which in the Subsidiary is not the case.

*I have never seen a company [the Subsidiary] with such an evident dedication --- This could also be negative, when I joined the company I realized that it meant that nothing should change.*

The reformist feels that it would be beneficial for the Parent-Subsidiary relationship in the Subsidiary if the Subsidiary employees were a bit more generous at times. The way things have been done at the Subsidiary is not the only way of doing things. The reformist perceives that it always helps to put a face behind the Parent company.

*A lot of people talk badly of the new Parent but that is just normal human behavior. You need a bad guy.*

*People tend to talk negative... as long it's anonymous, people think it's ok. --- Once you meet people you see that they also work hard and have their own problems as well.*

The reformist sees that the Parent's approach to running their operations, their systems and the system structures are beneficial for the Subsidiary, and the fact remains that the Subsidiary is the acquired one.

*In terms of logic there's nothing you can have against that we have a very systematic approach, processes in place with all the checkpoints and controls. --- You can say it's bureaucratic, that's fine. But against the logic, you cannot say anything.*

*We cannot disconnect us from the [Parent] organization, a wrong thing would be to resist it... it's better to try to make it happen. Try to create the understanding.*

#### **6.2.4 Protectionist**

The protectionist is currently located at an operational finance unit, and hence has a receiving role in the centrally driven integration projects. A main idea in the protectionist view is that the financial and organizational post-acquisition changes are perceived to be a backward development, mainly driven because of the Parent. To others, he/she often comes across as a main source of frustration and irritation, because of his/her defensive attitude towards changes.

*You have to fight to keep the things that are good in the old Subsidiary system.*

However, the protectionist truly tries to *protect* the Subsidiary and the brand: he/she concentrates on maintaining what he/she perceives to be the Subsidiary's core strengths, as illustrated below:

*The detailed control on lower levels takes the freedom for people with knowledge to take the actions needed to solve the problems.*

*I think you have to keep trust in the people out there [in the markets]. They're just trying to do what's best for Subsidiary. You get the feeling sometimes, that the Parent with all these control mechanisms, all the mega-detailed reporting, they show no trust for the employees out in the markets.*

Lack of trust is a recurrent theme in protectionist dialogue: for him/her, line-by-line business control is understood in terms of the Parent not having confidence in the Subsidiary people and their competence. The protectionist is afraid that soon, lack of trust will turn into a self-fulfilling phenomenon, i.e. employees will start taking less responsibility for their actions. While the protectionist acknowledges that previously there was perhaps too little central control within Subsidiary, he/she experiences the current situation as at the other extreme:

*Here it's only detail, the detail, the detail, often without the added value of the detail. We do – still after [x] years – know all these details, there is not enough trust to leave the Subsidiary alone from that detail perspective.*

*Within the Subsidiary here, we rely on you until you prove the opposite, while the Parent seems to have a little bit opposite way of thinking: We want to control you in order to make sure that you don't fool us or steal from us or do something, so we want to have control over you so that you don't do anything wrong. We don't trust you and we want to control you.*

*The controlling that people do what they're supposed to do is for me waste.*

From the protectionist viewpoint, the Subsidiary has proven its business sense by making profits year after year. The Parent - with a business approach that for protectionists is the opposite of theirs - has not been able to prove that its business approach is successful.

*I come to a question, if you micromanage us and are so detail-oriented, why are you then in such a bad shape not only in the US but also in Europe? - - - We are generally oriented [i.e. not financially oriented] and thereby still so successful. Why can't you take over some of the vision and thinking that we have, and thereby make the company also successful?*

*We have another product; our customer is not that cost sensitive, so maybe if we miss the cost target somewhat, the end may be a better product we could put in.*

The protectionist sees that the post-acquisition emphasis on financial control has detrimental effects on business operations. From the protectionist viewpoint, this is neglected by both the Parent and the people working in Subsidiary's central positions.

*In the Subsidiary, the finance function was a support function to the business. In the Parent, the finance function is almost expected to run the business. --- I don't think the finance people are the right people to run the business. You can kill every good creative project by calculating it to death.*

*They [Parent] have an enormous rigidity when it comes to cost control, also marketing expenses. If we want to grow we need money for marketing. It's one thing of having a great [product] but you can't sell that [product] if you can't tell the world how good it is.*

*I think the companies are getting too big --- and too complex. We're not efficient anymore. So many layers of people – reporting and reporting, administration, and we're not performing any added value anymore. Who's actually doing any work?*

The protectionist is also afraid of the central decisions being hastily made and short-sighted:

*My personal view is still that there's a tendency of acting and taking decisions that are good in the short-run for fixing figures but not for making our business as good as it could be in the long run.*

Considering the differences between the two companies and their business philosophies, the protectionist also worries that integration and the following organizational change might not fit the Subsidiary's business model. Central decision-making style requires central knowledge and understanding of the local conditions, which in the protectionist opinion is something that central finance does not have.

*Today we are not staffed, not by the number of the people or competence-wise, to handle all these decisions centrally.*

However, the protectionist criticism is only expressed in general terms, and the individual expatriate managers also receive some praise:

*I must say that the Parent finance people that I have met so far, are extremely good guys.*

*They are all very well experienced. They are also filling an important interface function between Subsidiary and Parent finance community.*

Protectionists seem to have somewhat lost the delight for their work: for them, post-acquisition integration has made their day-to-day work less interesting, and more administration-filled.

*Just because we were bought by the Parent, work has increased 20-30 %. And at the same time we're expected to reduce things.*

### 6.3 Analysis of the ideal-types

In this section, we examine and analyze the empirical findings according to the framework outlined in Chapters 3-5: we will go through the different ideal-types' main sensemaking frame, their group identification and the meaning of trust for each ideal type.

#### 6.3.1 Ideal-types' views on cost and profitability

When analyzing the main sensemaking content within the ideal-types, rather contrasting interpretations appear, especially regarding the view of the Subsidiary-Parent relationship, which in turn is best illustrated in discussion areas regarding cost consciousness and financial performance, which we will examine below.

<b>Integrator</b>	<i>“That’s a key part of our role here to give people all of that information so that they can take the decisions required. To get the right balance for the business, for the future.”</i>
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In the view of the **integrator**, tough market conditions and fierce competition demands an understanding and a central control of cost. Financial issues are the main focal point for driving, growing and especially controlling business for the integrator: business cannot be run “*by faith*”. Returning to the fundamental point of sensemaking, the integrator claims that managing cost globally demands that all parts of the company have the same systems. Understanding costs is important for decision-making in general, which the integrator regards as central to managerial activity “*---If you are a senior manager, I think you*

*need to be able to take decisions and people will say ‘ok, the manager has decided’”.*

The integrator sees the Subsidiary as an investment and expects returns, which in his/her perception are not realised. The focus point of the integrator is therefore on growth. In terms of sales targets the Subsidiary has not delivered what was agreed.

In our interpretation, the integrator’s main point of reference is the whole Parent group (including the Subsidiary) and it is on this level that returns should be maximized. *“You have to optimize the whole thing”*. The integrator thinks in terms of what the Parent company can do for the Subsidiary and how the Subsidiary can support the Parent company. He/she does not question the integration with Parent company policies and structures – it has to happen.

<b>Adopter</b>	<i>“Sometimes you have to be a good soldier and do your work.”</i>
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The **adopter** is a rather luggage free person in terms of attachments toward the Subsidiary and the Parent. The adopter sees and accepts the integrator’s role as decision maker and his/her role as messenger. In line with the integrator, the adopter thinks that the Subsidiary should be integrated into the Parent, for logical and business reasons. The adopter views current and future business and market conditions as setting the rules for the Subsidiary and being the cost-consciousness drivers which he/she clearly sees in the daily analytical work where *“you see all the details and get another understanding of what is behind the decisions”*. The adopter has taken a compromising point of view toward the profitability question, accepting that the Subsidiary has not delivered all it promised but still making the point that it is a profitable operation. The adopter also makes the point that the Subsidiary tends to forget that the Parent has invested a lot of money in the Subsidiary and that the Parent has the right to see return on investments.

<b>Reformist</b>	<i>“In terms of logic there’s nothing you can have against that we have a very systematic approach.”</i>
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We see the **reformist** viewpoint somewhere in the border area between the Parent and the Subsidiary, analyzing and weighing the pros and cons of both



business philosophies. He/she perceives the acquisition as a business opportunity and is comfortable with post-acquisition integration processes: “*you can say it’s bureaucratic --- but not against the logic*”. Integration is perceived as “*only healthy*”. The reformist describes the differences but in a fairly neutral tone. “*The Subsidiary in the past was focused on responsibility; you were supposed to deliver the bottom line. I see the new Parent as being more prescriptive---*.” The reformist has analyzed the logic behind the cost focus and sees it as a necessity because of the current business environment but also a result of the Parent’s financial status. From the protectionist viewpoint, the Subsidiary is a profitable operation but has not delivered the sales growth targets.

<b>Protectionist</b>	“ <i>You have to fight to keep the things that are good in the old Subsidiary system.</i> ”
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Analyzing the **protectionist** angle, the main focus is on the Subsidiary as an independent unit as it used to be. The Parent company is out of focus. While the protectionist sees him/herself as a balance to the Parent company, he/she does not perceive him/herself as opposed to change as such. The main focus is to preserve and maintain structures, procedures and values the way they used to be “in the good old days”. The protectionist’s viewpoint is long-term profitability. The Subsidiary has been profitable year after year, and this is what counts, not sales targets. “*We still deliver what we promised*”.

For the protectionist, the finance function is not – and was never – a main business focus in the Subsidiary; it is a support function. “*---I don’t think the finance people are the right people to run the business. You can kill every good creative project by calculating it to death.*” The words cost and cost control have negative connotations and cost consciousness is perceived as a Parent tendency to “*micromanage*” the Subsidiary. In the protectionist’s view, individuals in the Subsidiary automatically act in a cost-conscious way and they must therefore not be controlled. In our interpretation of the protectionist view, a cost focus does not make business sense for the Subsidiary. “*We have another product; our customer is not that cost sensitive, so maybe if we miss the cost target somewhat, the end may be a better product we could put in*”. In the protectionist viewpoint, post-acquisition decision-making has been centralized in the corporate hierarchy and is not based on the local knowledge out in the

markets. *“The detailed control on lower levels takes the freedom for people with knowledge to take the actions needed to solve the problems.”*

### **6.3.2 Ideal-types’ views on Subsidiary and Parent people**

In our analysis of the **integrator**, he/she has a broad reference base for constructing his/her social identity, having previously lived and worked outside the Subsidiary home country. At the moment, the integrator regards his/her in-group to be the Subsidiary; nevertheless, for him/her the Subsidiary is an integral part of the Parent. Listening to the integrator, it is sometimes difficult to distinguish who “we” is for him/her: the Subsidiary, the Parent, or both. When analyzing the integrator narratives, we see a strong belief in systems, line-by-line control, cost consciousness and centralization which point to the Parent organization. Despite his/her own perception of being a Subsidiary person with the Subsidiary hat on, we consider the integrator more of a Parent person with his/her main loyalty going to senior management. In our interpretation, the integrator sees cultural and/or national boundaries, but they are differences – not threats. Even if his/her colleagues are *“sometimes too [Subsidiary home country oriented]”*, they are still his/her co-workers.

Considering that the **adopter** has shorter-time experience with the Subsidiary, we see it as easy for the adopter to regard the Subsidiary as a part of the Parent group, and to see his/her role within that group. The adopter, however, regards his/her primary in-group to consist of the closest colleagues in the central finance unit, the main reference point for “we” being the Subsidiary. We see the adopter respecting the integrator, as this ideal-type presents future career possibilities in the Subsidiary / within the Parent group. For the adopter, the main out-group (“they”) are the Subsidiary colleagues working in the operational finance units.

For the **reformist**, it is possible to identify with various groups and identification is context dependent. Analyzing the reformist narratives, we see that the reformist distances him/herself from the actual grouping and selects the in-group according to the result of his/her analysis. The perceived in-group will thus differ over time and subject area, and the membership is not exclusive. The primary reformist in-group is the Subsidiary while the main out-group is the Parent. However, for the reformist, loyalty is not group-bound to any specific

group all the time; groups have to co-exist and co-operate due to practical reasons. Because of the acquisition, the reformist has accepted – at least to a certain degree – that he/she no longer is just a Subsidiary employee, but a Parent employee as well. This can be illustrated by the reformist’s use of “we” which he/she uses for the Subsidiary colleagues in general but adopts “they” (with reference to the Parent colleagues) when talking about the post-acquisition cost consciousness.

The **protectionist** is clearly a “Subsidiary person”. For him/her, there are clear, distinctive in- and out-groups and membership is exclusive to only one group. For the protectionist, only his/her in-group members (i.e. fellow countrymen with long-term Subsidiary careers) can truly understand the “*soul of the Subsidiary brand*”: creativity, flexibility and local knowledge. For the protectionist, a very clear out-group is the Parent, and another clear out-group is the central finance unit i.e. the integrator and adopter. An ideal-typical protectionist has nothing against these two ideal-types as persons; however, only longer-term Subsidiary employees with historical and traditional bonds can value the Subsidiary (and its products).

### ***6.3.3 Ideal-types’ views on trust and lack of trust***

For the **integrator**, trust is not regarded to be a core question when discussing business and work related issues. However, in this ideal-typical worldview, the implicit assumption is that top managers personify the competence and experience needed to make important business decisions, and that lower-ranking employees should trust their managers’ ability to make these decisions. Moreover, there is a central belief in information and systems. This view is, however, not completely part of other ideal-typical worldviews and as a consequence, the integrator is not always regarded as a “Subsidiary person” by others. For the integrator, “*transparency*” is a recurrent theme that represents a self-evident need to have clear information flows throughout the company, but especially toward the Parent.

In a typical **adopter** view, trust (or distrust for that matter) is not regarded an important issue per se and has little explicit meaning. The adopter has trust that the outcome for post-acquisition integration will be beneficial for the

Subsidiary. Reviewing the adopter narratives, we see him/her mirroring the integrator and what he/she perceives as important: numbers and figures, information and systems. In our analysis, the adopter trusts that the integrator knows what is best for business.

In the **reformist** worldview, the acquisition is regarded as essentially an opportunity for the Subsidiary. Identifying across Subsidiary-Parent boundaries, the reformist reasons along retrospective lines but perceives integration “*only healthy*” and sees that some of the changes would have been necessary even without the acquisition. There are nevertheless some concerns about not having enough resources for all the work or about the longer term implications for Subsidiary’s business, implying that trust towards the Parent is not fully institutionalized in the reformist worldview. Overall, the reformist is comfortable with the post-acquisition integration taking place throughout the Subsidiary but acknowledges that others experience things differently: “*I see the differences but I’m not that frustrated*”.

Analyzing the **protectionist**, our key finding is that trust has a strong meaning for the protectionist, who regards trust as a key element of the “*old Subsidiary spirit*”. The post-acquisition centralization and control trend translates into “*lack of trust*”, whereas from the protectionist point of view, “*you have to keep the trust in the people out there [in the markets]. They’re just trying to do what’s best for Subsidiary.*” While the protectionist regards him/herself as not opposed to post-acquisition integration as such, it is important for him/her to preserve the key strengths of the Subsidiary and to protect the brand (and the way it has historically been developed). Hence, he/she is not willing to take the risk involved in trusting.

In our interpretation, the protectionist believes that only longer term Subsidiary employees (like him/herself as well as reformists) have an understanding of what is good for the Subsidiary (with little reference to the Parent group), thus leaving the integrator and the adopter outside this in-group. Looking at the protectionist from other ideal-typical viewpoints, he/she is a troublesome person to work with, at least when regarding the integration issues. Because he/she does not share the ground belief that the post-acquisition integration has an overall positive outcome, how can he/she be trusted in these working issues?

In our understanding, the protectionist might experience lack of trust so strongly because of the doubt it casts upon his/her social image; if he/she is no longer left alone to make decisions, does that mean he/she is no longer perceived as competent enough?

## **6.4 Discussion of the ideal-type analyses**

We have examined our empirical findings by constructing four ideal-types: the integrator, the adopter, the reformist and the protectionist. While there might be certain similarities, as well as differences among the interviewees that together constitute one of these ideal-types, the most common denominator is that they construct themselves and their environment in a similar way, demonstrated in organizational narratives (verbal interaction and communication). This construction is not so much based on what they actually see today but on their past experiences.

A main empirical finding deals with how the ideal-types make sense of the changes that have taken place in the Subsidiary after the acquisition. While the integrator, as well as the adopter, clearly sees the changes as business development for today and the future, the protectionist see them in a retrospective light. He/she views current change processes as integration, i.e. adapting the Subsidiary according to the Parent's needs. The reformist distances him/herself from any side, analyzing both views.

A second finding is that each ideal-type has different set of values, closely related to their in-group identification. At the extreme, the Protectionist has very strong identification points with the Subsidiary and in the "*Subsidiary spirit*". The integrator may have adopted the role of a "Subsidiary person" but according to our analysis he/she identifies primarily with the Parent and its set of values. The adopter mirrors the integrator, while the reformist identifies with both the Parent and the Subsidiary. He/she acknowledges differences among various groups but sees him/herself as part of various groups; therefore his/her identification with the Subsidiary or with any particular group is weaker.

A third finding is the different perception of the role/meaning of trust in the different ideal-types. For the integrator and the adopter, trust has little to do with day-to-day business. Instead, large corporations have to make use of

information systems and control processes (translated as professionalism). By contrast, the protectionist views trust in the people as the underlying basis for conducting business. For him/her, 'control' means distrust in people whereas the integrator and the adopter do not make that connection. The reformist acknowledges that the Parent business model is more driven by controlling than trusting people, but does not feel controlled or distrusted as the protectionist does.

We will continue to develop these findings from our theoretical framework in the next chapter.

## 7. FINAL DISCUSSION

*In this chapter we will discuss and develop our main empirical findings from a more theoretical angle. Our first finding deals with the various ways ideal-types make sense of the environment after an acquisition. The second finding regards the different set of values held by each ideal-type which are closely linked to in-group identification. The third finding deals with the different perceptions of the role and meaning of trust. Within this context, we will examine and present empirical as well as theoretical implications for our research question.*

The different ideal-typical narratives represent different ways of thinking and conducting business. Individuals construct their realities by speaking about them (Czarniawska, 1999). This means that what individuals say or how they describe different settings is how they perceive and make sense of them. In our interpretation of Weick (1985), he makes the point that words make up what we call the organizational environment. In our understanding, this environment is more of a form of language, an established pattern that classifies and decides on what is valuable information.

The direct implication for our case study is that the Parent and the Subsidiary have historically developed different patterns for communication and for understanding the meaning of such communication. Words or expressions that come from outside the system are not understood. To draw on a few empirical examples, while the integrator frequently refers to the apparent positive need for “clarity” and “transparency”, the protectionist sees the negative meaning to be “detail-orientation” or “micro-management”. Our constructed ideal-types use different words to describe one – though in their minds not the same – concept.

### 7.1 Post-acquisition sensemaking

Our first main empirical finding deals with the variety of ways in which the ideal-types make sense of the changes that have taken place in the Subsidiary after the acquisition.

Our finding suggests that a person's overall worldview determines the perception of post-acquisition integration, and therefore it makes little sense to study post-acquisition integration as such without placing it in a larger context. In our case study, the ideal-types understand the post-acquisition changes in very distinctive and different ways.

The integrator, and to some extent the adopter, stresses the need to adapt to Parent business processes in general. “--- *Given the size of the Subsidiary compared to the rest of the Parent company, why should we have different set of processes than the big company?*”. Examining the integrator and adopter narratives, we find that **similarity** makes sense for them, i.e. why should the Subsidiary be different from the Parent. “*The Parent company has as a financial entity to have the same accounting policies and processes world-wide to get the same results.*”

The reformist recognizes the need for partial adaptation to Parent business processes. “*We [the Subsidiary] are the purchased one and we probably have to adapt more to them [the Parent] than they to us in reality.*” In our interpretation, we find that the reformist emphasizes the need for **commonality**, i.e. common business processes. The integration makes sense for the reformist. “*When I entered the Subsidiary, I was surprised by the independent systems throughout the world and how the company could be managed that way. So part of the centralization we have right now is only healthy. ---*”.

Reviewing the protectionist narratives, he/she has a different and contrasting starting point for his/her reasoning, seeing the **difference** as a business strength. For him/her, the uniqueness of the Subsidiary product line is what has made – and makes – the company so successful. The protectionist focuses on the advantages of having different business processes and systems. The important point is to (“*fight to*”) keep the processes and systems that match business requirements. ““*We have another product; our customer is not that cost sensitive, so maybe if we miss the cost target somewhat, the end may be a better product we could put in.*”

Why do the ideal-types have different views and understanding (similarity, commonality and difference) of the post-acquisition integration changes? According to sensemaking theory, making sense is incrementally a retrospective activity (Weick, 1995). This means that individuals make sense of or understand



current environments through their past experiences, implying that old experiences color how individuals perceive present changes and environments. The retrospective argument goes hand in hand with another sensemaking point, that individuals make sense of the environment in a plausible rather than an accurate way. This implies that individuals may only grasp and make sense of parts of the environment that they perceive as plausible according to their set of past experiences. In agreement with Weick (1995), we suggest that the difficulties of interpreting the words or ideas across ideal-types derive from different perceptions of what is to be interpreted.

Extending the sensemaking discussion to the dimension of time, all ideal-types judge the present by means of their past, with different focus points. In our interpretation, the integrator, the adopter and the reformist mainly focus on the **present** and the **future**. In contrast, the protectionist's attention remains in the **past**, trying to maintain what was "*good in the old Subsidiary system*" and comparing new business processes to how it used to be. Our empirical findings suggest two very distinct approaches to everyday business operations in the Subsidiary after the acquisition. The integrator in particular represents the first viewpoint that post-acquisition Subsidiary operations are mainly about business development. The protectionist represents the second viewpoint, namely that Subsidiary business operations are foremost a matter of integration, i.e. adopting the Subsidiary to the Parent, which in his/her mind is not a role model for a successful corporation. For the protectionist, this implies that the Subsidiary is transforming and becoming something it never was or intended to be.

In our understanding, the explanation for this is that the integrator's, the adopter's and the reformist's understanding of the environment has not been challenged. Instead, they have been able to develop their past into the present and future. For the protectionist, having a fundamentally different starting point for making sense of the environment, new and current business practices do not make sense or fit in. Therefore, the protectionist keeps preserving the past. This implies that what makes sense and what is regarded as good or bad, is an evaluation that depends on the context. In another kind of situation, had the Parent and Subsidiary roles been reversed, or had the Subsidiary had financial losses, a typical protectionist might have looked very differently. Sensemaking is by nature an ongoing activity (Weick, 1995); therefore the ideal-typical worldviews cannot be regarded as fixed but rather as evolutionary.

To summarize the sensemaking discussion, the variety of ways in which the ideal-types make sense of the changes that have taken place in the Subsidiary after the acquisition reflect their past experiences as well as the acquisition “winner and loser” context. From a past base, individuals align their plausible interpretations of the current situation, deciding on what is important and what is not.

## **7.2 Post-acquisition identification**

A second main empirical finding is that ideal-typical values are closely related to their in-group identification and their approach to out-groups.

In post-acquisition integration, the set of values adopted by any specific group will influence the group members’ sensemaking processes and set of values, as will the commitment to those values. If the post-acquisition integration values are perceived to clash with one’s social identity and group values, the expectation regarding the outcome of the integration will be negative.

In our interpretation of the ideal-typical narratives, the protectionist has stronger identification points with the Subsidiary than the other ideal-types. The integrator claims to be a “*Subsidiary person*” but according to our analysis he/she identifies primarily with the Parent and its set of values. The adopter in large part mirrors the integrator whereas the reformist identifies, across the groups (cosmopolitanism), with both the Subsidiary and the Parent sets of values. This could suggest that adopting role flexibility in multiple groups implies that identification with any particular group is weaker.

One can extend this reasoning to the concept of social identity, an individual’s identification with a certain group and the membership values of that group (Tajfel, 1972). For any ideal-type, the social or in-group identity holds certain value significance. The more interesting point remains how groups cope with changes i.e. how they (re)construct themselves and their reality in relation to them. Given a fixed set of results or objectives, there is always the choice of constructing oneself as a winner or loser.

*There is a very strong culture in the company and with the new owner coming in... you build a wall around the company... If the culture is threatened, we try to protect the company and by doing that, every time we lose we feel as losers, victims, which is negative (The reformist).*

The notion of reality is subordinated to the individual need for constructing and maintaining positive images of self (Erez and Early, 1993) as well as of the group. This argument is – as we understand it – more complex as the group is constructed to mirror the environment. In this context, post-acquisition organizational changes could be interpreted as challenging the social identity and could suggest a need for redefining one’s position vis-à-vis the perceived in-group and out-groups since both the larger context and the groups have changed. Our case study suggests that the integration process has different meanings for different groups, ranging from “*only healthy*” in the mind of the reformist to “*creating distrust*” in the mind of the protectionist. In our understanding, this could suggest that while a group perceives the environment in a negative way, it might not perceive one’s own group in negative terms but may try to focus on “how things should be”, which the group perceives to know best.

Different individuals and groups of individuals have different perceptions and sets of values, which are communicated through social interaction by arguing, expecting, committing and manipulating processes (Weick, 1995). In terms of our reasoning that the environment is about how things are interpreted, our analysis suggests that an individual understands and acts upon what he/she perceives as important and valuable. ‘Des Pudels Kern’ seems to be a matter of measurement. The essential idea is that what you measure is what you get, the disagreement being in what is considered as important to measure. The integrator makes the point that the Subsidiary has not met sales growth targets and emphasizes “*transparency*” to justify his/her work of aligning systems with the Parent. “*If [business is] not transparent [you] cannot put the business case forward*”. In contrast, the protectionist claims that the Subsidiary is profitable and sends the message “*Why can’t you take over some of the vision and thinking that we have*”. Examining the sales growth target argument vs. the profitability argument, the point – or dilemma – is that the Subsidiary is delivering what it promised while at the same time it is not.

By understanding the meaning and the value concept of words used in the in-group and out-groups, an individual places him/herself in relation to the meaning and can reidentify his/her perception of self and of the environment. Words make up and contrast groups and attached group values. Theorizing about the implication of wording, a group's perception of reality will influence how the group sees its role in it and how willing the group will be to commit to it. It is, preserving a positive self-image, much easier to commit to "*clarity*" and "*transparency*" values than to "*control*" and "*micromanagement*".

Is it possible to extend a perceived in-group (with a set of values) to include an indefinite number of individuals, creating a winning strategy? And, is it in the interest of an existing in-group? Would the in-group be able to maintain perceived values? While there might be no explicit case study evidence to support this, we can only speculate that across-group identification (identification with two or more groups) could be a threat to the value system of specific in-groups, which perceive that they would not be able to maintain those systems in a larger forum. This could suggest that certain groups may be hesitant to interact with other groups unless they can set the regulations for such interaction, avoiding the situation where the in-group set of values is blurred. While these arguments remain on a hypothetical level, the point is that post-acquisition integration is a balancing between creating and excluding in-groups and out-groups.

To summarize the identity construction discussion, group identification and attachment to group values are closely connected. On the basis of the group, the more interesting point remains how groups (re)construct themselves and their environment in relation to changes. While a group might perceive the post-acquisition environment in negative terms, our analysis suggests that the group will seek to maintain a positive self and social image by constructing and promoting alternative solutions.

### **7.3 Post-acquisition trust**

The third main finding deals with the different group perceptions of the role and meaning of trust and how it relates to sensemaking and identity construction. Our findings illustrate how individuals make sense and construct meaning for trust at varying sensemaking levels (Wiley, 1988) depending on the context: the

intersubjective “*trust in the in-group*”, generic subjective “*trust in the Parent business model*” or extrasubjective level “*trust in the Parent management style*”. Sensemaking is grounded in identity construction (Weick, 1995), and our findings indicate that while trust has a very subjective meaning for any individual, the meaning is largely influenced by social identification, i.e. the meaning is developed and maintained by the perceived (or aspired) in-group. Both findings will be discussed throughout this chapter; however, we begin by presenting some more specific arguments.

Our empirical findings suggest that interpersonal trust (toward one’s co-workers) will not be automatically extended to trusting the ideology the colleagues show commitment and trust for. While the protectionist regarded “---*the Parent finance people that I have met so far, are extremely good guys*” they were not regarded to understand and act according to what is “*best for the Subsidiary*”. Drawing on the trustworthiness dimensions of Mayer et al (1995), the protectionist may admire the integrator’s competence but has doubts about his/her benevolence or integrity. Hence, the protectionist does not trust the integrator (or the adopter) because the set of ideas and values he/she stands for (‘similarity’) conflicts with what the protectionist worldview represents (‘difference’).

This somewhat contrasts with Baldvinsdottir’s (2001) finding that constructing interpersonal trust is a key first step when constructing trust on a (control) system level. Luhmann (1979) discussed that while human beings seem to be perfectly capable of trusting abstract and impersonal ideas, trust is first and foremost personified with a ‘fellow man’. We cannot state that our findings prove these theoretical ideas to be incorrect. Nevertheless, our findings indicate that in an acquisition context there are more issues than interpersonal trust, which affect how employees make sense of post-acquisition integration. Who is regarded as a ‘fellow man’ and what is perceived to be the meaning of placing trust in him/her, seems to be a more important issue.

The meaning of ‘trust’ is perceived and experienced differently in the ideal-typical worldviews. All ideal-types explained the differences between the Parent and the Subsidiary and their approach to trust, but the explanations varied from very subjective (value-added) to more objective (rational) ones. The protectionist makes the clearest distinction by expressing his/her concern for the Parent showing “*lack of trust*” towards local knowledge and controlling the

business (and the Subsidiary people) by “*calculating it to death*”. The reformist uses more neutral words to explain the same difference, which in our understanding indicates that he/she does not see such fundamental differences, not making a ‘trust issue’. Nor does the integrator or the adopter make an issue of trust, when speaking about the acquisition or business in general. The integrator, however, does not believe that business can be driven “*by faith*”, but by systematically gathering and analyzing information about the market so that senior managers have the broad understanding necessary to make the decisions.

A theoretical parallel can be drawn to Luhmann’s (1979) description of trust and distrust strategies. While he regards both as fundamental strategies people use to reduce complexity, both represent different means for how to make the world understandable. In a distrust ideology, the main focus is on trying to reduce future risks by gathering information and trying to make prognoses so that the future can be, to some extent, controlled. Applying this to the integrator ideal-type, we could label it a distrust ideology with a main explicit focus on control and information. According to this analysis, the protectionist would, on the contrary, represent a trust ideology, where assessing and avoiding future risks receives less attention. For an ideal-typical protectionist, trust is a **personal** matter, placing trust in individuals whose “*knowledge*” and “*creativity*” are believed to be core assets, whereas an ideal-typical integrator emphasizes **impersonal** systems and believes in “*information*”. Yet again, this difference comes back to the contrasting value sets: personal trust stands for individual differences, whereas impersonal system trust is needed for the similarity requirement.

In our earlier theoretical discussion we suggested that the ‘trust versus distrust’ contrasts could be considered on a ideological and symbolic (extrasubjective) level, and that such black and white painting would not actualize in generic subjective (sensemaking of social structures) or intersubjective level (where ‘I’ turns into ‘we’). Our case study nevertheless suggests that in practical social settings, such divisions do not apply and that individuals make sense of their social and physical environment at a level (intersubjective – generic subjective – extrasubjective) that feels suitable at the moment. We have often referred to the protectionist talking about integrators as “*good guys*” but also noting that “*they don’t trust people*”, where it is a matter of interpretation who are referred to as “*they*”. Taking a more critical view, we could see the “*lack of trust*” argument to be effectively used as a scapegoat - “*you need a bad guy*”. In such a scenario,

trust (or the lack of it) could be seen as a symbolic construct to be used as a weapon in internal discussion, constituting a ‘politically correct’ argument. Still, according not only to our empirical interviews but also according to our observation, the protectionist does not “*fight*” for the sake of it but because he/she strongly identifies with the Subsidiary and has concerns of the long term effects of post-acquisition integration.

We suggest that the meaning of trust is not only grounded in social identity construction and set by the in-group, but also the perceived and experienced meaning diverges across sensemaking levels. Explained in more understandable terms, for the protectionist, trust is valuable and meaningful in all social and organizational settings, whereas for the other ideal-types trust is relevant but on a much smaller scale. On the extrasubjective (symbolic or cultural) level, we can see the protectionist values creativity and knowledge of persons which he/she reflects at the generic subjective level, where a decentralized organizational structure ensures that personal creativity will not be restricted. At the intersubjective level, it is possible to understand the protectionist cherishing interpersonal relationships that he/she has developed throughout his/her Subsidiary career. In our understanding, due to the continuity of these dimensions, it is almost impossible for the protectionist not to experience general ‘lack of trust’ by the Parent. Analyzing the reformist in a similar way, he/she does not take trust personally as trust does not have a meaning above the intersubjective level. Hence, the reformist - believing in commonality - concludes that “*in terms of logic there’s nothing you can have against --- a very systematic approach*”.

For post-acquisition integration, the task of finding an ideal solution, taking “*the best of both worlds*”, can therefore be considered to be somewhat a mission impossible. The values attached to ‘own’ ideology suggest that from one ideal-typical viewpoint the other one can only be judged ‘wrong’. How, then, can ‘best’ be defined, and by whom? One last implication is that ideal ideas on a conceptual level can seldom – if ever – be transferred and realized while still remaining ‘ideal’ (Czarniawska, 1996). Any such attempt to transfer the ideal solution to the local setting implies in itself a deconstruction of the concept. On a practical level, post-acquisition integration by transferring ideas might be take a rather complicated format, implying only two options “*either you fix the Parent or you fix the Subsidiary*”, creating a ‘winner’ and ‘loser’ setting.

To summarize the trust discussion, trust is given meaning by the perceived social in-group and its set of values. The meaning given to trust varies across sensemaking levels, implying challenges to construct a mutually beneficial – i.e. mutually trusted – solution for post-acquisition integration. What is regarded as mutually beneficial is a matter of interpretation or, for that matter, about deciding on what is to be interpreted.

#### **7.4 Constructing post-acquisition trust**

Our aim in this research has been to examine the construction of trust in post-acquisition integration. This means that there is someone who can construct trust – but is there really? In our understanding an individual can partly form environments, identities and trust but none of the variables are independent of those formed by the other individuals – it takes two (or more) to tango – or external influences. The construction of trust derives from the content of social discourse (i.e. the actual exchange of words) but also from reading between the lines in such interaction (i.e. the contextualized interpretation of the meaning of those words). On one hand, our analysis suggests that while the individuals involved in construction processes share an interpretation of the concept of trust, the meaning of trust remains highly personalized and subjectively experienced. In an organizational context, trust, however, is grounded on social identities and social groups. Examining the ideal-typical narratives, the word ‘I’ appears seldom while the word ‘we’ prevails. In our interpretation, our interviewees do not mainly construct their environment around their own persona but around what they perceive to be the in-group and their role in it. Trust is a social rather than an individual property (Lewis and Weigert, 1985).

Our original research question **“How can trust be constructed in post-acquisition integration processes?”** has no right or wrong answers, and we may only conclude that no individual alone can construct trust in full or “capture the hearts and minds” of individuals or groups of individuals. Trust is an intangible rather than a material concept, suggesting that there are no exact paths to follow or even that there are no paths at all in constructing trust. This means that trust cannot be put together piece by piece. Instead, our analysis points to interpretation as a basis for trust construction basis. Interpretation, how an individual interprets the environment, their own group and related trust factors is linked to expectations about all these. For example, an individual or a



group of individuals have a reputation which others use as a reference point when interacting with those individuals, making them live according to their expectations.

While expectations may be built on rumors, we refer to the familiarly requirement of trust (Luhmann, 1979). Familiarity and knowledge of each party can be regarded as a scarce resource in the acquisition aftermath. It is tempting to argue that ‘time’ will be the knight on a white horse for our case company or after any acquisition – but, yes, it is to a certain extent. Nevertheless, we suggest that post-acquisition integration and future collaboration can be facilitated, and in the following sections, we present our practical oriented recommendations.

Our case study findings illustrate how post-acquisition organizational changes challenge the construction of social identity, as recognized by the reformist: *“Now there are so many things to all of us and we have been here for some time now, but we don’t know ourselves either”*. A practical implication is therefore to revalue the social dimension of post-acquisition working life, recollecting Blau’s (1967) theory of social exchange creating social trust. While informal social activities can serve an important platform to create a feeling of familiarity among organizational members, also work related activities (such as meetings) can serve a similar function. Meetings make sense (Weick, 1995), and business is not always just about business.

This could also imply that the role of post-acquisition integrator could have the function of outlining the environment or platform for social activities. As an environment cannot be put in front of individuals, the manager can only aim to construct an environment that is perceived as trustworthy. Nevertheless, the construction of such environment will reflect the manager as a person, suggesting that personal motives, perceptions and expectations of that manager will influence the perceived outcome and therefore – but without going into personal traits – the result of social activities. This indicates that a manager responsible for post-acquisition integration influences the process and its results. We would not like to draw any conclusions on what kind of managers would be best suitable for such tasks, but emphasize that managing post-acquisition integration has both ‘task’ and ‘human’ sides (Birkinshaw et al, 2000a).

The assumption that trust is granted on an in-group basis has, in our understanding, two main implications. First, considering that trust grounds in interactive learning (Baldvinsdottir, 2001; Luhmann, 1979), individuals and groups of individuals could be given opportunities to place their trust vis-à-vis an out-group (member) on trial and prove to him/herself (and to other in-group members) that this risk has paid off. While interpersonal or social trust cannot be treated as a shortcut to establishing trust on an ideological level, we suggest that constructing trust toward post-acquisition integration processes has a similar learning route. In the case study, it may seem unlikely that the protectionist can ever fully learn to trust the Parent and their business approach, but it seems more important that he/she unlearns (at least parts of) the “*old Subsidiary system*”. It would be important to establish in the protectionist worldview that business control does not have to take away the local creativity and knowledge and to try to make the protectionist understand that post-acquisition integration actually is about developing the business - not hindering it. By unlearning to feel ‘controlled’, the protectionist could learn to trust on a more general level. A general recommendation could be to promote the positive outcomes of the integration processes in a way that connects to the local sets of values.

Second, this assumption implies that concentration in the post-acquisition internal communications promotes across-group awareness, with an objective of creating a common foundation for trust, meaning that a larger number of individuals would share a similar social reality. Although trust cannot be forced, we suggest that by making organizational actors aware of the role of trust and how different the interpretations can be, management can in a way “construct” trust. In our analysis, the reformist gained from his/her broad career background and was able to look at the post-acquisition integration from different point of views, analyzing pros and cons. He/she also showed less ‘pluralistic’ in-group identification, and a more ‘cosmopolitan’ mode, not seeing contrasts, or clashes. This implies that cross-border expatriation, placing an individual in a new setting and detaching from the old social setting, influences the individual’s construction of self and his/her in-group. Expatriation might not be the final solution to overcome integration challenges but is certainly a mind-opener.

Coming back to the different perceptions of Parent-Subsidiary decision-making, we suggest a focus on post-acquisition decision-making processes. Creating a decision-making environment that organizational groups at both sides interpret

as fair (as possible), could increase trust in the decisions, referring to the context of decision-making process (Kim and Mauborgne, 1991). Moreover, if individuals and organizational groups can interpret decisions from a framework beyond integration, perceiving a consistency between future corporate visions and current business operations, they have a larger opportunity for interpreting decisions the way the sender intends them. The idea of consistency is linked to the other notions for constructing trust and suggests a shift in focus away from a narrow integration process viewpoint to a more overall framework perspective.

The last practical implication concerns language and verbal communication. Words with an implicit meaning might not translate very well into local sensemaking. Because sensemaking is more than interpreting (Weick, 1995), more opportunities should be provided for individual and local ‘invention’. While sensemaking is grounded in plausibility rather than accuracy (Ibid, 1995), to bring about change and gain acceptance is all about turning ‘the accurate’ into ‘the plausible’. With this, we mean that taking the rationales behind, for instance, cost savings, to make individuals understand them for what the cost savings are, change agents must communicate and show what they are in a consistent way. One cannot send mixed messages, saying at one moment that the company is doing well and on the other that costs must be cut to stay in business. In other words, there should be consistency between rhetoric and action (Weick, 1995) at management levels in particular.



## 8. CONCLUSIONS

### 8.1 Main findings

The identification of the four ideal-types (integrator, adopter, reformist and protectionist) in our case study analysis can be considered not only a case-specific but also a more general finding. Based upon our study, similar ideal-typical reflections could be linked to post-acquisition integration in general. After any acquisition, there are likely to be preserving as well as progressive forces among the organizational members. In a post-acquisition organization, the personnel goes through different stages in a varying tempo, and approaches the paradigm between ‘old’ and ‘new’ organizational reality from different angles.

For this case study in particular, the ideal-types illustrated local sensemaking and social identification processes which were related to trust (re)construction processes in the Subsidiary’s finance department. By assessing how these processes come together and how organizational actors create and maintain their meaning of trust, our objective was to understand how trust can be constructed in post-acquisition integration.

Our theoretical and empirical analyses portrayed how sensemaking, social identification and trust formation processes are connected with one another. “*Sense may be in the eye of the beholder, but beholders vote and the majority rules*” (Weick, 1995:6). In other words, individuals are not independent of one another in an organizational context but construct their realities in narrative processes, as illustrated by the four ideal-typical worldviews. This is not to say that individuals would not bring their ‘luggage’ of previous experience and previous worldviews - on the contrary. As formulated by Weick (1995), sensemaking is a retrospective process; moreover, it is driven by plausibility rather than accuracy.

Across the ideal-types, we saw how different ‘facts’ were used or ignored depending on the context. The conclusion is that what you measure is what you get, and measurement is largely driven by social identification and the values attached to it. How can we use this understanding to interpret how to construct post-acquisition trust? While social interaction could be regarded as

important grounds for building and maintaining trust among post-acquisition organizational members, integration is not only about people but also about systems and processes alignment. While interpersonal trust may be a necessary condition for trust in post-acquisition integration processes, it does not seem to be a sufficient one. Modifying Luhmann's (1979) idea of system trust building upon trust into a 'fellow man', we suggest that the question concerns who is perceived to be such a 'fellow man'.

To conclude, trust is given meaning by social groups. We suggest that trust can be considered a resource that groups explore in different ways. One organizational group may be highly dependent upon trust while it might be perceived to play an insignificant role in another. The perceived invisibility of trust does not, however, deny its existence: whether or not the in-group meaning of trust is consciously and explicitly expressed, trust is a 'social reality' (Lewis and Weigert, 1985). In other words, within a specific group, trust (or the lack of it) can be seen as the implicit norm, indicating a difficulty for expressing and interpreting the meaning of trust on an across-group basis. For researchers, the main implication is that only a real life illustration can offer such understanding, i.e. this is where the value of an in-depth case study comes in. For practitioners, an implication could be to increase awareness of trust and its perceived role across different organizational groups and to facilitate collaboration across group boundaries.

## **8.2 Future research recommendations**

This thesis supports the current academic interest in narratives, and suggests that the role of organizational narratives should be acknowledged by contemporary business organizations as well. Vaara (2003) claims that the power or risk of language to create misunderstandings especially in acquisitions is often underestimated. We also observed this while conducting our case study. While the narrative approach helped us to reconstruct the local "realities" in the case study, we would like, however, to note that it's not all about words. To a certain extent, organization can be understood as a network of shared meanings, but the meanings become meaningless unless combined with an account of actions. What words do, however, is reflect how individuals see their surroundings; besides, actions are not always active but also passive – leaving things undone. The indication for future post-acquisition and/or organizational

research is that no research method alone can give a holistic picture. Hence, we recommend that researchers rather make use of multiple methods and approaches.

Reflecting on the concept of trust as our main interest area, we have established how trust can be studied to gain understanding of organizational behavior especially in an acquisition aftermath. At the same time, during this research process, we have become aware of why trust has been much neglected in this field of organizational research. Despite having enriched our view on trust and how it is constructed in a sensemaking and social identification context, we can only conclude that it remains a highly complex research area not easy to approach. Moreover, choosing social constructivism as the main research platform seems to be more suitable for academic research than for the practically oriented, more mainstream management research.

This thesis broadly covered the social dimension of post-acquisition organizational life, whereas the individual dimension is, however, something we cannot draw conclusions on based on this study. In order to understand human behavior, focusing on individuals and psychology could be a further research interest. Besides social identification, what motivates individuals and guides their actions?

Furthermore, this thesis placed less emphasis on the broader cultural dimension mainly due to the anonymity requirements. We see a possibility to extract more of the ‘similarity – commonality - difference’ and ‘personal – impersonal’ dimensions by means of (cross) cultural theories and psychology. At the same time, it would be interesting to reflect upon the cultural theories that have their focus on national cultures. According to our analysis, different ideal-typical worldviews were found within a same national group. If sensemaking is context dependent and not a fixed mode of thinking, how does this correspond to the contemporary academic research? Should the concept of ‘national’ cultures be re-evaluated?

As we expressed earlier in this thesis, longitudinal case studies are favored for conducting (post-) acquisition research. While moment-in time case studies can provide the researchers and practitioners with valuable understanding of organizational members, we believe that extending the research period and/or repeating the study would provide a valuable perspective to the phenomenon

examined. From the initial trust building moments, how do the post-acquisition changes establish themselves as an embedded part of organizational life, and what happens to trust on the interpersonal as well as the more abstract (system) level?



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## **Appendix 1**

### **Interview guide**

#### **Background**

Name

Profession/position/responsibility area

Nationality

Career background

#### **Questions and discussion areas relating to post-acquisition integration**

- Initial reactions to the acquisition
- Post-acquisition changes that have taken place in the finance community (practises, routines, systems)
- Possible future changes and their impacts
- Problem areas

#### **Questions and discussion areas relating to the current situation**

- Differences and/or similarities in Parent/Subsidiary approach to finance
- Differences and/or similarities in Parent/Subsidiary approach to leadership
- Differences and/or similarities in Parent/Subsidiary culture
- Frequency and modes of contact with the Parent headquarters
- Contact and interaction within the finance community

#### **Questions relating to industry and market**

- Industry and market conditions today
- Industry and market conditions in the future

#### **Verifying question**

Is there something you would like to say, have we missed out on something that you believe is important?