BUFFERING AND BRIDGING: HOW LEADERS CAN MAKE A

DIFFERENCE DURING POST-MERGER INTEGRATION PROCESS

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Introduction

Firms frequently rely on mergers and acquisitions (M&As) to gain access to new markets, new products, and new technologies (Anand, Capron, & Mitchell 2005; Uhlenbruck, Hitt, & Semadeni 2006), learning (Vermeulen & Barkema 2001) and as a means of acquiring new knowledge (Ahuja & Katila 2001; Karim & Mitchell 2000). However, the results of M&As are often disappointing and the hoped for synergies not realized (Cartwright & Schoenberg 2006; Haleblian, Devers, McNamara, Carpenter, & Davison 2009). Given that the dynamics of the acquisition process influence the acquisition outcomes (Jemison & Sitkin 1986; Hapeslagh & Jemison 1991), it becomes crucial to understand how these dynamics evolve and how they are managed (Bresman, Birkinshaw, & Nobel 1999; Empson 2001; Ranft & Lord 2002). This calls for a process perspective to examine the actions and reactions as they unfold over time during post-merger integration (King, Dalton, Daily, & Covin 2004; Stahl & Voigt 2008; Haleblian et al. 2009).

Acquisition integration is an organizational transformation (Anand & Singh 1997) wherein differences in the ways of doing business (or the inner logic embedded in the organization's systems, structures and styles) can be problematic (Datta 1991; Larsson & Finkelstein 1999; Ranft & Lord 2002). Cross-border M&As are particularly challenging (Shimizu, Hitt, Vaidyanath, & Pisano 2004) when firms with different organizational cultures are also nested in different national cultures (Calori, Lubatkin, & Very 1994; Weber, Shenkar, & Raveh 1996; Very, Lubatkin, Calori, & Veiga 1997). Nevertheless, M&As do continue to be a means of corporate growth

despite the difficulties associated with the integration process (Cartwright & Schoenberg 2006).

A large body of research has examined M&As with conflicting results and with various perspectives to explain their success and failure (see Shimizu et al. 2004; Haleblian et al. 2009). Many studies of the integration process describe the organizational policies that can facilitate positive outcomes (for example, Schweiger & DeNisi 1991; Leroy & Ramanantsoa 1997; Schweiger & Goulet 2005). While some studies indicate that middle managers can have an important influence on the integration process (cf. Graebner 2004; Meyer 2006; Meyer & Altenborg 2008; Huy 2011), very few studies (for example, Schweiger, Ivancevich, & Power 1987; Ashkenas & Francis 2000; Teerikangas, Véry & Pisano 2011) address the specific actions taken by key individuals. Thus, how leaders can make a difference during post-merger integration process still needs further exploration.

For this reason, we studied the acquisition of a German MNC (GMNC) by an American MNC (AMNC). The primary motive of the acquisition by AMNC was to capture GMNC's unique capability in the professional sales channel. Our case study revealed that certain individuals had an important impact on the integration process by taking actions we define as buffering and bridging. Buffering actions helped to release the tensions, while bridging actions helped to connect the past and future of the merging organizations providing a sense of continuity. These were the actions of individuals who had formal integration roles as well as others throughout the organization. These actions helped in developing relationships with their colleagues and within their teams during the transition period which enabled collaboration and secured employees' contribution. First, we provide the overview of challenges

encountered during the post-merger integration process. Then, we present the case study and the buffering and bridging actions taken by key individuals which made a difference. Afterwards, we discuss how these actions facilitate exchange so that the post-merger organization can benefit from the strengths of both organizations and to develop the sought after capabilities.

Challenges during post-merger integration process

Acquisitions are rare events requiring the management of complex tasks (Jemison & Sitkin 1986). Decisions have to be made in face of uncertainty and ambiguity (Duhaime & Schwenk 1985). Time and competitive pressures during the pre-integration phase may make the collection of reliable information difficult resulting in poor understanding of the target company (Very & Schweiger 2001; Haleblian & Finklestein 1999). More importantly, the acquiring managers may not be able to understand at the outset the business logic of the acquired organization, thus representing a 'gray box' (Zander & Zander 2010).

Integration is a gradual process wherein employees of merging organizations learn to work together in transferring strategic capabilities (Haspeslagh & Jemison 1991). It involves '*changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole*' (Pablo 1994, p.806). Nevertheless, how the post merger organization will function remains unclear despite preparations during the pre-merger phase. Yet, how the resources of merging firms are combined can impact subsequent value creation (King, Slotegraaf, & Kesner 2008; Makri, Hitt, & Lane

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2010). Indeed, management of the post-merger process is particularly critical when an acquired company's capabilities are the motive of the acquisition (Bresman, Birkinshaw, & Nobel 1999; Birkinshaw, Bresman, & Hakanson 2000; Empson 2001; Ranft & Lord 2002). Most of the research regarding the transfer of knowledge focuses on organizational level interventions (communication, HR policies, socialization practices) or decisions taken at the top. What has been given less attention are the actions taken by key individuals that can make a difference in how the post-merger integration process unfolds over time.

During post-merger phase, integration-related tasks may easily distract management and absorb their attention causing delays in taking decisions giving an advantage to competitors (Ranft & Lord 2002) but also creating uncertainty for employees. Faced with uncertainty, employees may have difficulties contributing knowledge due to differences in ways of doing business (inner logic) and resist sharing knowledge (Empson 2001). In turn, employees of the acquiring firm may become frustrated and lose respect for the acquired firm (Bresman et al. 1999). As such, negative outcomes of socio-cultural integration may be observed: acculturative stress (Navahandi & Malekzadeh 1988; Very, Lubatkin, & Calori 1996), lower commitment, and cooperation among acquired company employees (Buono, Bowditch, & Lewis 1985); increased turnover (Hambrick & Cannella 1993, Lubatkin, Schweiger, & Weber 1999; Krug & Hegarty 2001); negative attitudes (Weber et al. 1996); and intergroup conflict (Hogg & Terry 2000). The subsequent loss of key employees can have a disruptive effect for value creation (Zollo & Singh 2004; Paruchuri, Nerkar, & Canella 2006).

According to Haspeslagh and Jemison (1991) creating the atmosphere to facilitate the capability transfer is 'the real challenge' given the problems inherent to the integration process. Therefore, they emphasize the need for the acquiring firm's systematic attention to the interactions necessary to create an atmosphere that enhances reciprocal understanding and willingness to work together. During post-merger phase several initiatives are deployed to facilitate interaction and to overcome barriers such as conducting culture assessments (Cartwright & Cooper 1993), conducting visits between the companies (Risberg 2001; Very & Schweiger 2001), introduction programs, training, joining retreats, celebrations (Larsson & Lubatkin 2001), or exchanging employees between the two organizations (Krug & Nigh 2001). Frequent and rich communication through these interventions can help stabilize the post merger organisation and establish a favorable climate by reducing ambiguities and promoting mutual understanding (Bastien 1987; Risberg 2001; Marks & Mirvis 2001; Ranft & Lord 2002; Stahl, Larsson, Kremershof & Sitkin 2011). However, while these interventions may provide the context to enhance the understanding between the employees of the merging organizations, the questions remain as to what individuals actually do to resolve the tensions during the post-merger integration process. Accordingly, the central question explored in this chapter – how leaders can make a difference – is brought to light through a case study in which specific actions taken by key individuals made a difference in working together during the integration process.

The Case Study

Case studies present a rich description of the social scene and context in which events occur (Dyer & Wilkins 1991). Apart from systematic and rigorous data collection and analysis, inductive research involves two essential steps that also need to be taken into consideration according to Mintzberg (1979, p.584). The first step is 'detective work' which involves tracking down of patterns, and finding consistencies. The second step is the 'creative leap' which provides insights. Thus, theory building requires rich descriptions and anecdotes that support the emerging patterns and insights. Those essential steps have been taken in this case study to gather a more profound understanding of the actions and reactions over time which help or hinder the integration process. One of the emerging themes was the actions of certain key individuals that helped by enabling collaboration and engagement of the acquired company's employees.

Interviews and archival data were the primary data sources. Twenty-seven (27) semi-structured interviews were conducted with 20 individuals from different parts of the organization at different locations. During the last part of the interview, we asked the interviewees what they thought needed to be done and encouraged them to share their experiences and observations. They often provided rich descriptions of situations they encountered. During data analysis certain actions of key individuals started to emerge. Further data was gathered through follow up interviews to gain deeper insight on those actions. First, we provide the contextual background. Then, we present the actions that were helpful in facilitating the post-merger integration process and show how those individuals made a difference.

The post-merger integration process

A large American publicly owned consumer goods MNC (AMNC) acquired a German family business (GMNC). The acquisition was considered to be a strategic fit given the product lines as well as the presence in different geographic areas. A key motive was to acquire the unique capability of GMNCs largest business (GMNC-Pro) that sold products in the professional sales channel. GMNC-Pro was the second largest player in their sector and had the product technology. Thus, by acquiring GMNC-Pro AMNC could become a major player in that professional sales channel. However, the integration plans were delayed due to regulatory differences in their respective institutional contexts. This allowed business at GMNC-Pro to continue as usual, thus maintaining operational autonomy as well as top management and the majority of employees while integrating GMNC's smaller businesses (GMNC-R; GMNC-F) rather quickly. Eventually LitCo, a smaller company acquired two years earlier that sold similar products, was combined with GMNC-Pro under a new business unit, led by GMNC management reporting to the CEO of AMNC.

Three and a half years after the initial acquisition announcement, GMNC-Pro management was replaced by an AMNC executive. At that point, the decision was taken to complete the integration process which had been delayed when AMNC acquired DilCo, the largest acquisition in its history. However, more than 50 GMNC-Pro country organizations were yet to be integrated and during the following three years occurred along with LitCo integration. Figure 1 presents the timeline of events during the integration.

Insert Figure 1 about here

The post-merger integration process was an intense period for GMNC employees. The acquisition announcement triggered strong emotional reactions. First of all, they were taken by surprise. They were proud of their heritage and did not believe that the family would sell the company despite ongoing rumors. They felt betrayed. After the announcement, GMNC employees were anxious. As GMNC-Pro was a very different business from AMNC's core businesses, employees were uncertain whether their ways of doing business would be maintained and whether they would have a career within AMNC.

Initially, maintaining top management and the initial operational autonomy helped to stabilize the GMNC-Pro organization. But the limited communication and delayed integration plans created uncertainty leading to many rumors as well as multiple interpretations that in turn increased ambiguity. Furthermore, observing the job losses during integration of GMNC's smaller businesses increased employees' anxiety. The assignment of an AMNC executive to lead GMNC-Pro and the decision to fully integrate GMNC-Pro increased their fear. As a result, GMNC-pro employees became defensive in their interactions with AMNC and were resisting, albeit passively, integration.

The challenge during post-merger integration phase was to gain the sought after knowledge and to utilize the strengths of both organizations and their members to develop new capabilities. Indeed, certain individuals made a difference during the post-merger integration phase. Some of those individuals had formal roles as

integrating leaders. However, there were also others who did not have a formal role but who took these actions during their encounters with their colleagues. Next, we present the actions taken by these individuals -- 'buffering' and 'bridging' -- that made a difference by having a positive impact during post-merger integration process.

Buffering and Bridging during post-merger integration process

For GMNC-Pro employees, the delayed integration and limited communication resulted in increased uncertainty and ambiguity, causing negative reactions, both emotional and behavioral. Different identities, corporate as well as national, became salient creating intergroup conflicts (cf. Hogg & Terry 2000), which were not conducive to finding ways of working together and developing the sought-after capabilities. However, certain individuals' were more aware of, or sensitive to, the emotional and behavioral reactions either because they had relatively less tenure or had experience with different businesses or other acquisitions. For instance Marc, a former DilCo employee utilized his experience of being acquired when interacting with LitCo employees; Jeff had diverse experience in various AMNC businesses, and Eric had relatively less tenure compared to other senior GMNC managers. Their interviews provide rich descriptions of their buffering and bridging actions, providing guidance, resolving issues, or facilitating transition by recognizing past success and planning the future. Nevertheless there were also other individuals who engaged in these actions to find ways of working together during the stressful and painful transition period, reinforcing the benefits for both the individual as well as the organization.

Buffering actions

The buffering actions started by genuine listening. This helps demonstrate empathy, decode emotional and behavioral reactions, to respond to concerns, as well as retain key individuals. Eric, a manager at GMNC's oldest manufacturing plant, acknowledged the emotional and behavioral reactions after the acquisition announcement and several decisions, such as discontinued products, divestiture and consolidation of facilities, and downsizing at the plant.

> I had people on line working for thirty years producing (the product). When the last bottles were leaving the (production) line they were starting to cry. They were standing in front of the line and crying because that was what they worked over thirty years on (. . .) That was difficult for people to understand why they were losing jobs because this was a successful business in GMNC so (they were asking) 'why can we not keep the business which is successful?'.

> Recognizing that this was an emotional period for employees, Eric paid

special attention listening to the issues and hidden concerns in order to understand how he could facilitate the process.

> So what I did was very clear is listening (. . .) you need to get clear about what is the status of the organization that you lead. It might be a plant, it might be here in (the headquarters). But the first piece is not changing something, it is to understand the starting point. Because you only can design the end point. And the way to get to the end point is when you know the starting point. That is the piece where I see many leaders . . . they just do not care about the starting point, what they care about is the end point, and then you lose it on the way because you are not able to get the organization resumed.

By listening carefully to the hidden messages, Eric demonstrated respect and ensured that that the employees' concerns were addressed appropriately. Employees were more receptive once they felt that their perspective was heard and taken into consideration. They felt that their knowledge was valued and they were also more open to evaluate the alternatives offered to them. As Marc, who had worked at the acquired company DilCo explained,

> I think as a leader or someone that tries to integrate, if you don't take the time to sit down with the team but also with the individuals to see really what their concerns are and show some understanding for that and also show them some of the possibilities, you cannot open them up (. . .) So point one was to open up the people to see the opportunities like always. If that doesn't happen, it doesn't matter how great it is what AMNC did and maybe could work for the business, they're just going to say 'No' (. . .) But there is the, I think, a genuine human reaction to say 'no' when something new comes specifically when you're acquired.

Listening also helped to identify and retain knowledgeable individuals and key players. For example, Marc had observed the reactions of his former colleagues at DilCo who left after its acquisition. He had seen that even minor changes such as putting the name of the acquirer on business cards could trigger very negative emotional and behavioral reactions, rejecting the identity of the acquirer even when acknowledging its positive features.

> I know many DilCo people that left DilCo basically straight after the acquisition was announced because they said 'I don't want to be 5% or 10% of a business while I was 100% before. I don't want to be one of the small players in a big portfolio where everywhere everyone has to do the same' (. . .) I think this is generally something I've seen in acquisitions that people don't want to become part of something else and have to throw overboard many things that they define their identity. I think that's what kills a lot of the motivation. Motivation comes from identifying with something (. . .) That's

where you can do a lot of mistakes or you can do things right. But then it is also the formal things. I remember when it was about the business cards for example, simple things, 'Will the Snow brand (of DilCo) still be on the business cards of the Snow salesman or will it just say AMNC?' And if it would just say AMNC and Snow wouldn't be on that, some people would go crazy over it. They would hate the company for that. If certain things add to it, they leave the company.

A GMNC manager, Sara, explained how her team leader from AMNC helped her cope with negative emotions by listening which convinced her to stay:

Jake was a very good buffer. A very good people manager. When I was like this (demoralized) he said 'OK. Come we go to a meeting room.' We talked ten minutes and then it was better. Jake was, I think one of the reasons why I stayed because otherwise it would have been . . . I didn't feel very good.

Another example, Jeff, an AMNC manager, had the responsibility of leading the integration of the GMNC-Pro country organizations around the globe. Soon after his arrival on the job, he started to organize regular meetings with country managers to learn about the GMNC-Pro business and to gather more insight into the organization. He had learned that employees were afraid of losing their jobs having witnessed the job losses during the integration of GMNC's smaller businesses. He was then able to address their concerns more openly.

So there was this fear and the reason why was it was a legitimate fear . . . because we had a F- business division, guess what happened to most of those people (at GMNC F-business)? They didn't end up in the new AMNC F business. R-business; guess what happened to those people (at GMNC R-business)? Very few of those people made it into the new AMNC Company (. . .) So their belief was that's going to happen in the GMNC-Pro. (They thought) when they (AMNC) final restructure the Pro-business, that's going to happen. And that clearly was not going to happen because we didn't have a business to integrate it into.

So again, I began to speak with real levels of credibility and I had a lot of that from the GMNC-Pro leaders cause they were the ones saying 'Hey, Jeff look at the F-business, look at the R-business. This is what they see, that's what they have seen in the last four years. What do you think that they think?' So I began to hit it head on, and I would say 'OK. Here is why that happened and here is why it happens in most companies, ok? If you've already got existing business, you're the acquirer, you have capabilities, only a few people probably make that. But,' I said, 'we don't have a Pro-business. It is why we bought GMNC. It was to put the crown jewel in the [X care] business. We don't have an organization, we don't have people who know how to run it.

Another buffering action, being transparent, encouraged openness and engagement. The initial limited communication had instilled suspicion and resentment among GMNC-Pro employees. As a result, they were not sharing their concerns and issues openly, so as not to put themselves in a disadvantageous position later on without knowing the plans and the intentions of the others. Transparency helped to develop trust. Furthermore, receiving timely and accurate information gave employees the better sense of control over the situation.

For example, Marc communicated frequently and was careful about being transparent and reliable. As he explained, transparency was important in order to inform employees about the situation but also to be consistent. He realized that employees were evaluating whether he could be trusted by paying close attention to discrepancy between his words and actions.

Whatever promises I made and I only made the promises I could keep. I had very clear principles when I worked with LitCo people and one of them was zero speculation: only information when it's really done and secure. And this is how I will trust those guys very very quickly. Very transparent, very honest. I only communicated what I could communicate. So certain things that might sound good but not hundred percent fixed or things that might turn bad but weren't decided yet, I didn't tell either. But I somehow . . . I always gave the perspective of what are the possibilities but also said nothing is decided yet. I didn't give probabilities for anything although people asked 'How probable is

that this is going to happen?', 'I cannot tell you. (If I do that) I will start speculating and I am not speculating.' I think people appreciated that because they knew 'If something would happen and if something would be decided, in the good or bad, and Marc would know, he would tell me if I can know. So he is not playing any kind of games'. And I think that's what made people believe that it can work in AMNC even if you have to give up certain things. And then they started appreciating certain things from AMNC, but only then. And I think that's what kept it going.

Voicing concerns was also an important buffering action. For example when Jeff realized that employees did not share their concerns openly, he voiced their concerns for them which helped to define emotions and to talk about the issues that triggered them. Furthermore, he spoke their language.

I spoke German . . . I said vocally what their issues were. They were . . . tough for me to say as a leader but I said, 'I know you don't believe in AMNC leadership, I know you are frustrated with no product innovation.' I said everything that were certainly in their hearts but were afraid to tell an AMNC person, I said it to them so they knew I understood those issues.

He was also transparent in addressing the issues directly and openly to comfort employees and to provide the perspective in line with the plans at the upper levels of the hierarchy. For example, when employees were concerned about dominance of AMNC Jeff provided the perspective with accurate numbers and explained the intentions which in turn calmed down the fears.

It was a very tense period but this is when I was being very transparent. It was important because many people believed that I was going to come in and bring in a bunch of AMNC people. That was the greatest fear. And this is when in one of my speeches I became very graphic and I said 'Today we have an 8820 person organization', I said 'Today we have 17 AMNC people. Now, if you're going to learn how AMNC operates, to take the best of AMNC, do you think we have enough AMNC people in here?' Everyone kind of galloped 'No, we don't ', 'Am I going to replace all of you? Am I going to replace 80% of you?'

I said 'Well, let me give you a reality check. We probably only will need 50 to 100 AMNC employees at the right levels of management to make this work. The majority of you should not worry about your jobs.' It was very important because most of them thought, all the sales people thought, we were going to replace them (. . .) So it was actually relieving moment and I got a lot of feedback about that.

He also encouraged employees to share their opinions openly by inviting them in discussions.

I would often end up saying 'Sam I know you have an opinion, please share'. I would call them out to share it and then they would share it. But they would have never done that if I had not called them out.

Listening and approaching key individuals allowed Jeff to have access to implicit knowledge about the business. As described by Ben, one of the key GMNC leaders working with Jeff:

Well, he (Jeff) is a very much a AMNC guy, he is a AMNC mold. Although he is a very good man and I am so much fond of him on a personal level, it (criticizing) didn't feel right because he was so enthusiastic and so immersed in wanting to change for the better. I felt he would almost be insulted if we criticized AMNC too much. So what I did was to tell him about the GMNC-Pro business, tell him how I felt we should do it and he would listen. That's very much a strength of Jeff that he did that. I often said to my managers here if you want to be critical make it constructive.

Thus, Ben was also able to decode emotional and behavioral clues and take actions that were effective in opening up to discuss about the issues.

Buffering actions occurred not only between the employees of the acquirer and acquiring organizations but also between the headquarters and subsidiaries, between the higher and lower levels of the hierarchy, and between members of different departments within the multifunctional teams. Individuals familiar with the

business logics of both groups were able to influence decisions by framing the

situation and proposing actions that were perceived as appropriate by both parties.

Tom, a GMNC-Pro manager explains the need to translate the framing as follows:

> The more the business is getting integrated, you need a good argument (for) why some things in the bigger business process should change. You must be really very clear on what are the key processes that you really need. If you lose that functionality, a process, people as well, then you say 'Hey, I have huge issue for my business.' Then you have to make up your mind and push back, and if necessary you escalate it 'It will not change, it doesn't make any sense' then you have to make up your story.

These discussions avoided actions that could have been harmful for the

business as well as the individuals involved. In that way, buffering between groups

helped to address issues directly and to find compromises through discussions on the

needs of the business and the eventual impact on employees. The compromises

demonstrated that employees could speak-up and challenge the decisions and to come

to an agreement between groups.

For example, one of the decisions taken at the AMNC headquarters was to

eliminate one of the products invented by LitCo that did not seem profitable.

However, the LitCo employees believed that the product was important in

differentiating LitCo from its competitors and was giving them advantage in their

relationship with customers. After consulting with the team and having heard

customers' comments about the product, Marc sought to convince the employees at

headquarter by demonstrating the argument in the way that was acceptable and

convincing. As a result, LitCo was given two-years time to make the product

profitable.

So I think this is an area where I achieved a couple of compromises with AMNC is when products were going through the screening and were supposed to be eliminated, and the local team said, 'No. We think that's going be an issue if you eliminate that product because it is going to cost us part of what we stand for' and that we are also giving those little things that seem marginal from AMNC stand point but that actually makes a point of difference for us as LitCo versus competitors. In some of those areas in product portfolio, I managed quite a few (compromises). At least I was fighting in (headquarters), including (the president). Some battles I lost and some battles I won and that was really for the business and the team, and I was convinced that the team was right actually, the local team.

Marc also engaged in buffering with headquarters for issues that had impact on employees' careers. For instance, one of the issues regarded employee performance evaluation. AMNC had clear performance evaluation criteria for employees in every function. However, one function that was specific to the professional business did not exist at AMNC. One idea was to apply the performance evaluation in one of the functions that was similar. But given the underlying differences between functions, it would have been disadvantageous to evaluate performance according to these criteria. Therefore, Marc engaged in discussions and presented the argument in the way AMNC employees could understand the differences that then lead to modifications. As a result, LitCo employees' perceived fairness in a process.

So these were the exceptions that really helped also doing justice in assessing the performance of certain people and giving them a career perspective or not. And that made a difference where they said 'While AMNC doesn't understand anything about that business' because that was their mindset, 'at least there is a possibility if you have someone who supports you to make a case and to be successful and to be recognized for what should be recognized.' So there are

many of these little examples I guess where people then appreciated that there was some flexibility and that some things were recognized as well even if you wouldn't have it if you would be in (an AMNC core business). And to just make them, keeping being with a company and continuing doing a good job and that's where I think what makes a lot of the difference (. . .) While there has been tough decisions, people essentially said 'It's tough. I don't like everything but I understand it and it's done fair. We were prepared for it. So like it or not we were prepared for it and it was fair' This is highly valued.

In another instance, Jeff recognized that at times the decisions taken at the AMNC headquarters did not correspond to the needs of the country organizations. Being an AMNC employee and leveraging his influence at the top of the hierarchy, he was able to change decisions made at headquarters. In this way, he was helping GMNC-Pro country organizations take the actions that were suitable for their market. He built credibility by supporting the perspective of GMNC-Pro employees and influencing decisions that they considered appropriate. In parallel to these efforts he explained the functioning of AMNC to GMNC-Pro employees.

Part of what gave me the credibility going in is I told them . . . So you had a number of (country) leaders that were just following what (the headquarter) said because that was the AMNC model. And I would go in and visit these organizations for the first time and I said, 'Why are you doing that?' 'Cause (the headquarter) is saying that.' I said, 'Well you're the local organization. That won't work. You have to push back at (the headquarter).' 'Oh, we can't push back at (the headquarter).' I said, 'No, you don't understand the model. That's the AMNC model. The (country organization) and the (headquarter) have the tension and your job is to push back if it won't work.' And they said 'Well, we tried', I said, 'OK. Well, there is a new guy in town. So if you can't get them to change, you get me agreed and I will go change it'. So in the first three or four months, I went into (the headquarter) and changed, with (the president), a number of things. I said, 'You can't do that in Russia', they wanted to make changes in Russia. 'You can't do that in Spain', they were trying to make some changes in Spain. So the (country organizations) saw that I actually fixed it (and said) 'Wow, it's great. We've got some one working for us now' and I tried to help them understand (saying) 'It is not us versus them,

it is actually us. And your job is to defend what will work but listen carefully because we have to find a common ground'.

In summary, during post-merger integration process uncertainty and ambiguity led to negative emotions and behavioral reactions. Certain key individuals aware of these reactions engaged in buffering by listening to both sides of the story, so that employees could open up to interact with each-other, by being transparent so that trust was established, by vocalizing concerns to reduce anxiety and resistance, by finding acceptable compromises and modifying decisions taken. As such, buffering actions helped to release tensions that arose within and between groups.

Bridging actions

At the same time, individuals took bridging actions. While buffering actions help to establish an atmosphere where employees can work together, bridging actions ensure a 'sense of continuity' (cf. Ullrich, Wieseke, & van Dick 2005; Jetten & Hutchison 2011) and a vision of the future. Bridging actions involved embracing the past by acknowledging the history and past success, jointly planning the future, creating small wins and communicating progress to secure engagement and contribution in developing the future organization.

The GMNC-Pro was a successful family business and a pioneer in the industry with their innovative products. Employees were proud of their company and most of them had remained after the acquisition because of their loyalty to GMNC, despite feelings of betrayal. However, the initiatives such as changes in structures, new routines and procedures, new roles and responsibilities triggered further negative

emotional and behavioral responses. For GMNC-Pro employees implementation of such initiatives implied breaking the continuity from their past organization. But the past had to be recognized in order to be able to discuss about future actions. For instance, in the beginning of one of the training sessions run by Frank, an AMNC employee, the GMNC-Pro employees expressed their discontent regarding implementation of the new processes. By acknowledging the past, a productive interaction occurred later on during the session.

> First morning during one hour they had to say everything in their hearts, in their stomach because they were really discouraged, they lost trust in the company and so on (. . .) First of all they said 'You know GMNC was not so bad. We always hear about AMNC, but GMNC was a good company, an old company also from the 1800.' All that. I as a trainer had to acknowledge that.

Ben also highlighted employees' concerns regarding change and how he sought to respond to their concerns by reinforcing a sense of continuity from the past organization.

> Most often I tell them 'This is great, this is going to work. We will be part of the change. The company AMNC wants us to be successful. The overall business will not change. We will still be the same people' and we drove it that way (. . .) There was a lot more, as I was saying, processes that came that we never saw before. It was complex. A lot of people tied up in it in a negative way. They thought it was not necessary. I told them, 'This is a big company. Now they will bring us to a different place in terms of marketing that is very powerful. They build brands, they do exceptionally well' and I suppose from an internal point of view it worked, most of the people are still there.

Embracing the history and past success was important for employees to maintain a positive and distinctive identity of the pre-merger organizations and to demonstrate the willingness to carry them on to the post-merger organization. For

example, Jeff constantly communicated a shared vision that acknowledged the strengths of both GMNC and AMNC and reinforced it regularly both in written communications and during his speeches to the employees.

While recognizing the importance of the past, planning for the future was also crucial. This helped to provide a sense of direction and reduced the uncertainty and ambiguity regarding future plans. Building incremental steps presented opportunities for small wins which helped employees gain confidence in the progress. For example, Eric sought to draft the future together with his team in small steps with small wins that also helped him gain trust as a leader.

So this was something that you couldn't tell people at the beginning but you could draft a way to this one and I think that is the piece which I personally feel very comfortable in. Listening, understanding the basics, drafting the future in one, two and five years. And then starting to explain people what are the action plans. And defining the action plans achievable (. . .) So what I am saying is in the one year path, you need to define is something where goals need to be achievable and sometimes it is better you do at the beginning small steps but you show people that they can achieve the steps and they can be successful because this builds trust. They are starting to trust the leader because you start to define actions, you define actions that they can achieve. And the next step can be a bit bigger a bit longer.

Planning the future, building incremental steps encouraged engagement that in turn allowed plans to be modified as needed. For example Marc also presented clear plans and communicated the progress over time which also helped him to gain trust and commitment to developing the future organization. Securing the engagement of employees was crucial in developing the future organization.

Having a clear plan through the change process, showing a lot of respect for what they are doing, I mean sincere respect, never talking anything I could not

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keep promise on and constantly communicating. Adjusting the plan. Having a plan, details and milestones but adjusting the plan when you learn something new from those guys.

Communicating the progress during the post-merger integration phase further ensured the continuity during the transition. For example, once the first stage of the integration was complete Jeff communicated a list of accomplishments during the difficult phase to further secure the commitment of the employees in developing the post-merger organization.

In summary, bridging actions give employees the sense of continuity by presenting a steady progress towards a future organization that is built on past. This helps to preserve distinctive identity, secure engagement, provide a plan and make necessary adjustments along the way. Figure 2 presents the buffering and bridging actions that occur simultaneously within the organization. The buffering actions that helped to establish productive interaction by reducing intra-group and inter-group tensions are indicated in bold. The bridging actions aimed at maintaining continuity between past and present during transition to help structure employees' experience are indicated with italics.

Insert Figure 2 about here

Discussion

When a key motive of the acquisition is to obtain the unique capabilities of the acquired firm, the challenge is not only preserving that capability but also developing new capabilities by finding ways to benefit from both organizations' working together. Granting autonomy to the acquired firm and slowing the acquisition integration process preserves acquired capabilities (Hapeslagh & Jemison 1991), but may hamper capability transfer (Ranft & Lord 2002). Managers involved in the acquisition process can facilitate the integration process through buffering and bridging thus creating a fruitful atmosphere for interaction and exchange, and providing a vision for the future. As this study reveals there are certain actions that managers of both acquiring and acquired firms can take in order to facilitate exchange so that the post-merger organization can benefit from the strengths of both organizations.

Post-merger integration is a process wherein two formerly independent organizations need to find ways to work together. Faced with uncertainty and ambiguity often inherent in this process, rumours can circulate and create further anxiety, tension, and stress (Marks & Mirvis 1985; Buono & Bowditch 1989). In these conditions, employees often respond with cynicism, resistance, and may eventually exit (Naus, van Iterson, & Roe 2007). In order to cope with the emotional stress during post-merger integration process employees may strengthen their loyalty or identification with their pre-merger group (Ager 2011). Moreover, intergroup dynamics are likely due to concerns for power/status and access to resources (Terry & Callan 1998; Terry & O'Brien 2001). Under those conditions certain actions are needed to deal with negative emotions and behaviors in order to have a productive

interaction necessary for a successful post merger outcome (Schweiger et al. 1987; Haspeslagh & Jemison 1991).

Our study reveals certain individuals recognize the emotional and behavioral reactions and are willing to address the issues during post-merger integration phase. Those individuals are able to take distance, gain a broader perspective, and engage in buffering and bridging actions. Their buffering actions open up the space for interaction by helping employees vocalize their concerns and emotions, by addressing issues directly and openly as well as by finding agreements between groups. By recognizing collective emotions (Sanchez-Burks & Huy 2009; Huy 2011) and taking emotion-management actions (Huy 2002) they can create an atmosphere that is conductive to productive interaction. In such an atmosphere, productive interaction is established as negative emotions are reduced, issues are openly discussed, trust is developed and engagement is secured.

Managers can influence strategic outcomes through reading the context (Westley 1990; Dutton, Ashford, O'Neill, Hayes, & Wierba 1997). Moreover, they can influence the interpretations by building and sharing a message that is meaningful, engaging, and compelling utilizing the symbolic and verbal representations of the sociocultural systems to which they belong (Rouleau & Balogun 2011). Furthermore, understanding the normative, relational and strategic context (Dutton, Ashford, O'Neill, & Lawrence 2001) of different groups, managers can find compromises and reduce inter-group tensions. As such, buffering actions also promote improved understanding and help to reach an agreement between groups.

During post-merger integration process employees have a need to perceive links between present and past (van Knippenberg, van Knippenberg, Monden, & de

Lima 2002) but also between present and future (Clark, Gioia, Ketchen, & Thomas 2010; Ullrich, Wieseke, & van Dick 2005) to maintain the sense of continuity (Jetten & Hutchison 2011) so that they can interact and contribute to the development of a successful future organization. Faced with ambiguity, employees try to make sense of events (Vaara 2003) and negotiate the rules of the game (Monin, Noorderhaven, Vaara & Kroon 2013). Some actors may construct and exploit ambiguity to shape strategic action (Sillince, Jarzabkowski & Shaw 2012), and in turn, employees can also engage in initiative selling when they perceive the benefits for the organization and when their engagement is rewarded (De Clercq, Castañer, & Belausteguigoitia 2011).

Bridging actions mobilize and energize employees allowing them to have a sense of continuity and control when the extent and pace of changes can create feelings of chaos, in this study often expressed as 'being in a fog' or 'everything moving at the same time.' Similar to the story of an army squad who got lost in the Alps during a snowstorm and managed to find their way back to the camp using a map that turned out to be a map of the Pyrenees (Weick 1995, p. 54), employees benefit from the support and structure provided by bridging actions to keep moving ahead and make a steady progress during post-merger integration process.

Conclusion

Given the difficulties associated with acquisition implementation, we explored the actions taken by key individuals that made a difference during post-merger integration. Our study reveals that these individuals make a difference through

enabling interaction and engagement so that value creating strategies may emerge. We show how the buffering and bridging actions that might seem somewhat ordinary facilitated collaboration and ensured engagement over time. Through these actions global leaders can make a difference for the employees, groups and the organizations involved.

Being responsive to emotional and behavioral reactions, global leaders can detect the issues that need to be discussed. Listening to the perspective of employees, vocalizing emotions, addressing issues openly and transparency release the tensions and create a space open for discussion. Foremost, listening demonstrates respect and caring about employees' concerns. Transparency ensures that sufficient information is shared so that employees can make informed decisions. Vocalizing emotions and issues demonstrates employees' concerns are understood rather than ignored. Moreover, global leaders may gather and utilize contextual knowledge to initiate discussions with other groups so that the differences can be accommodated. As a result, negative emotions and counterproductive behaviors may be reduced. Furthermore, global leaders can increase employees' engagement through fostering their sense of control over the situation and confidence in their contribution.

Consequently, this study highlights that acquirers need to identify managers who can take distance and see the bigger picture (cf. Nadolska & Barkema 2014). These managers often have had experience in diverse business contexts, or prior acquisitions. They may in fact be marginal to the HQ way of doing business or identity. Furthermore, these managers must be sensitive to and able to manage collective emotions (Sanchez-Burks & Huy 2009; Huy 2011). And finally, they need to have the trust of different groups, as well as within the hierarchy, to be able to

ensure that the differences of the acquired organization are recognized and leveraged to achieve a successful outcome. In this way, managers in mergers and acquisitions can make a difference.

Acknowledgements:

Text Boxes:

Ideas for further research: Emerging from a larger study, this chapter aimed to highlight the specific actions of individuals that facilitate post-merger integration process - an area that has received relatively less attention in M&A studies. We identified and described these actions thanks to the rich data. However, these actions need to be further explored.

- First of all, future studies may explore why some of the individuals are more able to take buffering and bridging actions. What makes them effective in taking these actions? Certainly research on diversity and emotions would bring more insight and in-depth understanding.
- This study relied on data that was gathered through interviews with a limited number of individuals within the business unit that brought a unique

capability. Moreover, although some interviewees reported the buffering and bridging actions of other individuals, most of the time the actions described here were based on self-reports. Future studies may examine these actions relying on multiple data sources. Furthermore, the actions of individuals that facilitate integration within similar businesses also deserve further attention.

- Future studies may locate the individuals whose actions facilitate the post-merger integration within a network and may explore: the impact of these actions within the actors' social network; whether these actions spread and other actors also adopt similar behaviors; how these actions impact the social structure within the post-merger organization over time.

Relevance for educators: The buffering and bridging actions were identified within M&A context. However, organizations increasingly rely on working in networks and in collaborations. Therefore, it becomes increasingly important for leaders to be able to facilitate collaboration and engagement. In order to help leaders make a difference across boundaries, educators may help leaders develop their ability to detect emotional and behavioral clues as well as their ability to address issues to reduce the tensions. Developing such capacity may be facilitated through:

- Exercises to increase self-awareness as well as the ability to vocalize issues,
- Practices such as mindfulness that help to maintain distance,
- Activities and exercises that involve video recording of participants that might help to mirror individual responses and facilitate development of individual strategies to effectively manage emotional and behavioral responses.

Interest to practitioners: Problems in the post-merger integration process are pervasive, and prescriptions to management might already have created more problems than solutions. As this chapter suggests leaders need to take buffering and bridging actions to ensure collaboration and engagement so that value creation strategies may emerge during productive interaction. Practitioners might design organizational processes and systems to facilitate emergence and development of individuals who can take buffering and bridging actions. Certainly rewards and recognition systems would encourage and reinforce buffering and bridging actions. Mentoring programs can facilitate learning from individuals who are able to make a difference through buffering and bridging. Exposure to diverse experience can also help individuals' abilities to detect emotional and behavioral clues as well as their ability to address issues to reduce the tensions.

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Figure 1: Acquisition integration timeline: Announcements, BU integration periods

LitCo acq.

GMNC acquisi, on

New BU formed consisKng GMNC-Pro LitCo GMNC-F AMNC-F businesses

DilCo acq.

R-business & Pro-business Combined under the same BU reporKng to AMNC Group President

Management change: AMNC management appointed to Pro business

Decision to integrate GMNC-Pro & LitCo completely

2001   2002   2003   2004   2005   2006   2007   2008   2009   2010

DilCo integraKon period

GMNC remained a separate enKty
GMNC management maintained

GMNC financial syst. integraKon

GMNC-Pro HQ org. moved to AMNC HQ

GMNC-R IntegraKon with AMNC-R

GMNC-F IntegraKon with AMNC-F

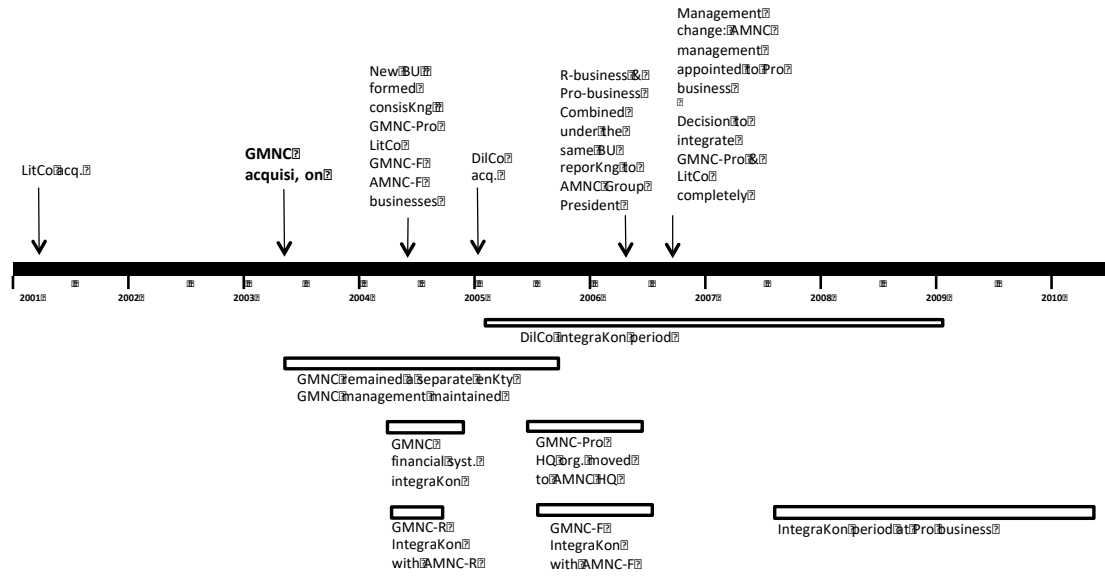IntegraKon period at Pro business

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Figure 2: Individual actions that facilitate post-merger integration process

Buffering

Listening
- Empathy
- Decode emotions and behaviors
- Identify key players

Release intra-group tensions
- Unload emotions
- Open up to discuss issues

Transparency

Vocalizing

Productive interaction
- Reduced negative emotions
- Open discussions
- Trust

Discussing with other groups
- Draw on context
- Leverage influence
- Translate framing

Release inter-group tensions
- Improved understanding
- Agreement

Bridging

Embracing past

Sense of continuity from past to future

Communicating progress

Planning future / vision

Creating small wins / presenting opportunities

t1   t2