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**A Finnish-Australian Acquisition: Organisational
Problems and Issues**

I. McMullen
and
W. Soontiens

ABSTRACT

Although acquisitions are a popular way of internationalisation, the integration of acquired companies remains an arduous process that often impacts on the performance of the subsidiary or the overall organisation. Difficulties associated with integration mostly relate to cultural differences, either national or organisational. This paper reflects on the experience of Finnish and Australian staff involved in the acquisition of an Australian company by a Finnish company. The paper points at problems and issues with business planning, vision sharing, effective management and leadership, cultural differences, cultural change, trust relationships and the integration environment as derived from literature and confirmed in the experience of interviewed respondents. The findings drawn from the case imply that it is imperative to avoid an 'us vs. them' atmosphere while both management and leadership must be strong and unbiased. Although a level of independence and identity should be allowed after the acquisition, integration of organisational cultures remains crucial for success.

KEY WORDS

Acquisitions, Internationalisation, Organisational Culture.

INTRODUCTION

To survive in today's globalised business arena, companies must continually respond to numerous internal and external forces. The ability to adapt and change sets the scene for long term success in the market. Many companies turn to acquisition as a means of gaining access to products, markets, technologies and other critical resources for their business. The overriding purpose of mergers and acquisitions is to attain strategic goals more quickly and inexpensively than if the company acted on its own (Marks and Mirvis, 2001).

The real competitive advantage and performance benefits derived from acquisitions reflect a company's ability to form and maintain effective internal and external relations between countries and cultures (Katz, Swanson and Nelson, 2001). The 'cultural forces' generated by the acquisition process are often misunderstood or not fully appreciated by business executives. During the rush to effectively utilise newly acquired resources, companies often overlook issues of national and corporate culture diversity in their new relationships. Acquisition integration strategies therefore often fail to consider cultural integration needs, misunderstandings, and difficulties between involved institutions, thus contributing to high rates of post acquisition failure (Marks and Mirvis, 2001).

Performance downturns following acquisitions are often attributed to the mixing of, and forced changes in, company cultures. Conflict and the process of finding 'equal' or 'amicable' cultural grounds between the acquirer and the acquiree, often hinder business performance (Gallegos n.d.; Morosini, Shane and Singh, 1998). This paper considers arguments and models for acquisitions and subsequent integration and reflects on the nature of national and organisational culture. It furthermore reflects on a Finnish acquisition of an Australian company and discusses the experience and perceptions of key staff involved in the acquisition and integration.

BACKGROUND

The background section considers the acquisition rationale, the models of integration and the nature and impact of national and organisational culture from literature.

Acquisition and integration of companies

The acquisition and subsequent integration of companies into parent organisations is an extremely disruptive process for any business operation (Kellogg, 2002). Although diverse forces of change causing disruptions have been widely studied, data suggest that acquisitions are poorly planned and do not benefit from experience. Marks and Mirvis (2001) found that three out of four mergers and acquisitions fail to ever achieve their financial and strategic objectives.

Changes required to accommodate the new cultures and management activities during acquisition integration not only affect business performance, but also place considerable stress on employees and stakeholders. Business objectives need to take into account the human or

cultural factors that can make or break a strategic focus (Simpson, 2002). Failure to place suitable emphasis on acquisition integration can easily negate the purpose or strategy of acquisitions (Marks and Cutcliffe 1988).

Whilst there are numerous reasons for acquisition failure, Marks and Mirvis (2001) suggests that many companies become too 'financially tunnel visioned' during the pre-combination phase of acquisition deals. The acquiring company, often non-operations oriented, tends to focus on the hard factors involved in the transaction (Simpson, 2002). Costs, values, transaction structures, tax implications and similar issues, overrule the 'softer' human resource management issues.

Successful acquisitions require acquirers to clearly define synergies and boundaries included in their initial assessment criteria. These acquisitions begin with a strategic intent which scrutinises an organisation's own competitive and market status, its strengths and weaknesses, often referred to as the 'hard' issues. In addition, corporate and cultural orientations and human resource management, often called 'soft' issues also impact severely on the acquisition and integration process. Both 'hard' and 'soft' issues therefore play an important part in the decision to acquire a company (Simpson, 2002; Marks and Mirvis, 2001). Such approaches appear to produce more effective cultural integration results.

Models of integration of acquired companies

Various models explaining business integration impose differing cultural challenges on companies. These also tend to offer different outcomes of success following acquisition. Four models of acquisition 'integration' are outlined by Marks and Mirvis (2001): preservation, absorption, reverse takeover and transformation.

Preservation

The preservation model of acquisition describes the situation where the acquired company faces a modest degree of integration and retains its ways of doing business. Typically, companies operating with this model strongly promote cultural plurism among business units and encourage localised business and product development. Effective integration requires protecting the boundaries of the subsidiary and maintaining effective business management control. In many cases, preservation allows a newly acquired subsidiary to maintain its original structures, systems and employees to continue performance levels prior to acquisition (Kellogg, 2002; Marks and Cutcliffe, 1988).

Absorption

During absorption integration the acquiring company takes full control of the operations of a new subsidiary, without serious regard for the original cultures and operations of the acquired company. The cultures, structures and methods of the acquired company are assimilated to conform to those of the acquiring company. This is often associated with the appointment of new management in the acquired company, variations of staff roles and responsibilities, and the enactment of considerable change (Kellogg, 2002).

Reverse Takeover

Reverse takeover is the opposite of the absorption model in that the acquired company dictates the terms of the integration and effects cultural change in the acquiring company. Reverse takeover acknowledges the acquired company as having more preferred management methods, structures and abilities and forces substantial change upon the acquirer.

Transformation

Transformation based integration is where both the acquiring and the acquired companies find synergies between their operations and integrate to effectively capitalise on the 'positives of each system'. Benefits are gained from not only reorganising the companies, but from reinventing the companies.

Although the model on acquisition integration impacts the functionality of either or both organisations involved, inherent organisational culture attributes will also impact on the process. The following section briefly outlines the nature of national and organisational culture.

NATIONAL AND ORGANISATIONAL CULTURE

It is easy to oversimplify and miss the basic facets of culture, thus contributing to potential failure. As one of the earliest researchers on culture and organisations Hofstede (1980) described culture as the collective programming of the mind which distinguishes the members of one human group from another. Considering culture in the acquisition integration processes, three important issues need to be kept in mind. Schein (1999) summarises these issues as follows:

- Culture is deep. The multilevel concept of culture shows that culture is an extremely complex phenomenon. Culture controls people more than people control culture. Culture allows people to develop beliefs and assumptions that eventually drop out of awareness and become tacit rules of how to do things, how to think about things, and how to feel.
- Culture is broad. Groups learn to survive in an environment through dynamics of its external and internal relationships. Culture affects all elements of individual or group life.
- Culture is stable. The members of a group want to hold on to their cultural assumptions because culture provides meaning and makes life predictable. This is important, since humans do not like chaotic, unpredictable situations and work hard to stabilise and 'normalise' situations. Any prospective culture change therefore contributes to anxiety and resistance to change.

National Culture

The deepest and most powerful level of culture represents the accumulated values and behaviours that arise from a society's basic values and beliefs (O'Hara-Devereaux and Johanson, 1994). National culture is essentially permanent and can change only over generations, manifesting itself in the form of common language, common orientation to context, time, power, equality and information flow.

Hofstede's (1980) studies into national culture in the late 1970's and early 1980's provided insight to some of the dimensions involved in formulating national culture. The dimensions are not necessarily exhaustive and Hofstede and subsequent researchers have described cultural dimensions using additional dimensions and variables. Hofstede (1980, 1991) proposed four fundamental dimensions of national culture, which he believed to be independent of organisational culture. The dimensions include power distance, uncertainty avoidance, individualism (versus collectivism) and masculinity (versus femininity). The relevance and complementarity of these value dimensions in the business environment are confirmed by Yeh and Lawrence (1995), Barkema and Vermeulen (1997) and Chow et al. (1999). There is furthermore a positive relationship between power distance and behaviour towards business objectives and goals (Hofstede et al., 2002).

Organisational Culture

Like national cultures, corporate and organisational cultures within companies are not an espoused list of values developed and 'written up' by the executive team for all employees to read and abide by (although such actions may actually *contribute* to the developed cultures within organisations). The culture of an organisation also operates at conscious and unconscious levels (Gallegos, n.d.).

Organisational culture is usually deeply rooted and shared by most members of an organisation. Organisational culture refers to formal, written company policy and the informal, unwritten behaviours that have become accepted by the group (Stoppler 2002). Organisational culture drives the actions of a company and guides how employees think, act and feel. Hagberg and Heifitz (2002) argue that while organisational culture is dynamic and fluid, it simultaneously represents characteristics of an organisation that are relatively enduring over time, and influence the behaviour of people in the organisation. Schein (1992, 1999) and other specialists have challenged beliefs about the 'content of organisational culture' and questioned its relationship to national culture (Gallegos, n.d.; Maurice, Sorge and Warner, 1980).

Traditionally research is focused on the boundary between national and corporate culture and their relationship to company performance (DeWitt, n.d.). Some researchers demonstrate that organisational culture in companies is a universal concept, inferring that managerial tasks are similar across borders, and national culture has little or no impact on organisational culture and

performance (Hickson et al, 1974). This school of thought argues that national cultures are moderated by organisational cultures, and that people within an organisation think and act similarly if working for the same organisation, regardless of their home country culture (Adler, 1986; Florin, 2002; Maurice, Sorge and Warner, 1980).

At the same time Adler (1997) argues that significant differences in national culture are dominant over organisational culture, implying that national culture determines methods of management. Furthermore, national culture impacts on perceptions and behaviour in organisational culture (Hofstede, 1980; Laurent, 1983; Gallegos, n.d.). National cultural differences are primarily a matter of 'values', while organisational cultural differences are primarily a matter of 'practices' (Hofstede, 1998).

In a Finnish – Australian interaction context companies contemplating acquisitions or mergers face an interesting set of demands and circumstances to achieve success. Whilst both countries are relatively technologically advanced, have well educated workforces and good relationships as international trade partners; they also experience a large geographic separation, widely differing climatic conditions, different languages and time zone differences. (CIA, 2001; Ryan, 1997). It is therefore expected that any merger between Australian and Finnish companies would be challenging.

RESEARCH METHODOLOGY

This paper reflects on the acquisition and integration experience of a Finnish Engineering company (FinX) acquiring a smaller Australian engineering company (AusY). The case was studied to assess if different organisational backgrounds do inhibit effective integration of acquired companies. The study involved collection of primary data from 29 interviewees associated with the company's relevant business units, observation of artefacts and integration of information gained from literature. Due to the shortfalls associated with quantitative research methods, a number of researchers have begun to conduct more qualitative approaches to studying organisational culture, both in order to supplement quantitative design and to stand alone (Nicolson, 1998; Hatch, 1997; Schein, 1992). These shortfalls include the simplification of socially constructed and diverse realities and the focus to establish a cause – result relationship between variables. In contrast, qualitative research allows a more holistic understanding of a situation while accommodating individual experiences and interpretations (Fraenkel and Wallen, 2003).

Eighteen of the respondents involved in the data collection interviews were Finnish employees based in Finland; 9 were Australian employees based in Australia and another 2 were Australians expatriates in Finland. The interviews were conducted in person in Finland and Australia during early 2002. A questionnaire was constructed to collect data reflecting the perceptions and experiences of staff affected by and involved in the acquisition and integration. Although small in number, the respondents effectively represented the key individuals involved in the acquisition and integration process.

Interviews were conducted individually in open and informal settings. Time was allocated for an 'interview introduction' by the interviewer. This included delivery of information of what the study and information collected was to be used for and to give a brief background on the generalities of the concept of culture. The interview introduction also provided an opportunity to ensure participants that all information collected was to be kept anonymous and confidential. Time was spent on the introduction to improve the depth of information provided by respondents, to disarm individual suspicions that the company might have initiated the study and to confirm anonymity and confidentiality.

The 'base questions' in the interview originated from relevant 'open ended' questions previously used by Schein (1999). Whilst generally delivered as designed, questions were used mainly to act as 'prompters' for the interviewer and to entice open discussion of organisational culture issues. Respondents were invited to add as much comment and queries as possible at all times.

Limitations of Study

The major limitations of this study are associated with the depth and breadth of the study, which in turn questions the overall validity of the research data. As suggested in earlier

sections, no study of culture can claim to be an 'absolute' investigation of the subject of culture due to the plethora of elements and dimensions involved (Schein, 1987). The authors acknowledge that this research has been limited to the identification and interpretation of cultural issues central to the main (cultural) concerns in the company. The results and outcomes therefore, cannot be considered as 'typical' or 'normative' in any way and are reflective of the companies involved in the case. Another limitation of the study was that it did not dwell on wider aspects of company acquisitions and integrations. Only some cultural aspects of acquisition integration are considered while other aspects that are likely to influence acquisition integration are not. Although acquisition companies provide a situation to analyse the 'before' and 'after' performance scenarios (Gallegos, n.d.), the research fails to cover that aspect.

CASE ENVIRONMENT

The case environment explains the background of the two companies leading to the acquisition and the nature of the acquisition integration model. It also considers important issues of culture integration derived from the case data.

Background

Before acquisition of AusY, the product range of FinX did not include all equipment and technologies required to design and supply base metal process plants. AusY's product line provided the 'missing link' to complete the equipment technology set. A major objective of FinX was to establish a world leading position to provide a 'total solution' service, offering process plant design and supply, using entirely in-house technologies and equipment.

AusY had been successful in the regions FinX was attempting to gain access into. Due to success in chosen regional markets of Australia, South Africa, USA and Canada in the past, AusY's management had not seriously considered expanding into other regions. Although AusY was profitable and successful, international competitors and anticipated market downturns threatened their position. The timing was therefore right to sell the company to a larger player that could effectively take the product to the 'next level' and globalise its distribution. For FinX, acquiring AusY would realise the total solution objective while potentially serving the expectations of AusY.

Acquisition Model

With past apparent successes with German acquisitions (Kuisma, 1989), FinX was confident that their 'transformation' acquisition model was suitable for use in the Australian acquisition process. The Australian management however favoured the approach of the 'preservation' model (Marks and Marvis, 2001). They believed their company had performed well over the past decade and that a change in ownership was no reason to disrupt the operations and functioning of the organisation. AusY anticipated that historical achievements would translate into high levels of independence and preservation of culture, processes and systems. FinX in turn expected AusY to become part of their push towards a full range and global presence.

The actual execution of the acquisition and integration expectations differ even further with the strong ethnocentric management of FinX pushing 'transformation' towards the limits of 'absorption' integration. This was partly due to the different cultural expectations, both national and organisational, which points at the importance of managing the integration process.

Key issues of culture integration

Substantial differences in cultural dimensions were noted between the respective business units in the case. In many cases, it was difficult to separate the specific influences of national culture and organisational culture dimensions of each business unit. Concerns and issues evolved from differences in culturally derived assumptions and beliefs, which led to misunderstanding, mistrust and sometimes conflict between the business units. Respondents noted a number of culturally related situations and concerns as examples of poor integration and alignment or hindering overall business operations.

An analysis of responses allowed identification and inference of 'key factors' issues that the respondents believed would assist in the cultural integration process. The key factors identified were:

- Plan culture within the integration business plan
- Develop a shared vision
- Involve effective management and leadership
- Identify differences between cultures
- Manage cultural change
- Build trust
- Monitor the integration environment

Business and Cultural Planning

A complete organisational and cultural planning process includes 'reality testing' of potential synergies and differences in light of the two sides' structures and cultures and assist in establishing a desired and agreed relationship between the companies and members of management (Buono and Nurick, 1992). It also provides insight into employee attitudes towards conflict issues (Simpson, 2002). The process of formulating the cultural plan in itself would assist in uncovering potential cultural concerns, allowing suitable adaptation and facilities in the business plan to counter concerns before they arise (Marks and Cutcliffe, 1988; Simpson, 2002).

Employees cannot be expected to understand and accept new cultural influences if management did not fully research, inform, accept, understand and plan the management and facilitation of changes, influences and tensions expected during integration (Marks and Mirvis, 2001). To integrate successfully management requires a specific integration plan and then needs to be willing to modify strategies to accommodate cultural diversity between business units as new cultural differences, beliefs and assumptions are identified (Walton, 2001).

The most important element of effective planning is to ensure thought and consideration has been committed to various important elements and stages of business operations (Marks and Mirvis, 2001; Buono and Nurick, 1992). A set business plan incorporating cultural assessment of business units and cultural planning would have been beneficial to the acquisition integration process.

In the case, it is important to differentiate between 'business planning' and 'cultural planning' activities. Evidently a degree of 'business planning' had taken place to facilitate integration. The physical and legal acquisition processes had taken place and the operations had officially been placed into 'integration', as per the Finnish integration business strategy.

The inferred approach to integration planning in the case lacks effective 'cultural planning'. This ultimately contributed to culturally derived difficulties experienced between the business units of the company. Additional cultural planning (as a sub-set of business planning) would have allowed management to better understand the artefacts, beliefs and assumptions of the different organisational cultures. Providing allowances and plans for these issues before integration would address organisational and cultural pressures experienced in the operations before they occur (Adams, 2002).

Shared Vision

A shared vision for the business units should provide inference of what management expects to be the 'end state' of the combination. Having a shared goal allows better demarcation of the shared vision amongst management and employees. With defined limits on how, where, when and with who to achieve goals people are able to focus their energy on common goals and the realities of the acquisition (Marks and Mirvis, 2001).

Employees need to perceive reasons behind the company's changes in a positive light and be given a context within which to see the actions in their own best interest. A shared vision, if understood and embraced by all personnel, would thus help to create a sense of commonality, belonging and purpose between the business units. The new combination of operations could then draw strength from individuals' desires to be connected to important undertakings (Senge, 2002). This is particularly the case for the Australian employees, who drew motivational strength from the strong business focus they had formed in AusY. Without the strong business focus and direction, respondents believed employees had little desire to exercise individual ambition and achievement.

Australian respondents indicated that the take-over led to the feeling of being 'let down' or 'betrayed' by management. These beliefs were based on negative assumptions that the future would not be as promising as the past. This downturn in employee morale is an expected reaction for many companies on the 'receiving end' of an acquisition (Marks and Mirvis, 2001). To counteract this trend, management of both companies need to focus on commonalities and positives to be derived from the acquisition which can be achieved by forming a strong shared vision, and communicating this to all individuals (Adams, 2002).

Australian respondents believe that promoting a strong shared vision would have assisted in restoring confidence and moral. It would also assist in dispelling negative feelings towards the 'sell-out'. Before the acquisition individual businesses operated with their own original missions and visions. The mission and operating vision promoted by the new parent company was not accepted as being relevant to the Australian operations due to the culture that existed within the business unit. Australian respondents believed that the unfocused and unclear 'hollow' employee orientated Finnish visions did not apply to their strongly profit and achievement focused culture. Finnish respondents indicated that they believed the Finnish operations would continue as per their original visions due to the size of the organisation and the stability of the bureaucracy, despite the addition of the Australian operations. Whilst the Finnish vision for the combined company had been formulated, it had not been effectively communicated and accepted by all business unit employees. Australian and Finnish respondents indicated that they were not 'working in the same direction' at all times. An effective, accepted and truly shared vision was needed by the business units to assist in 'bringing the business units together as one'.

Management and leadership involvement

Guillen and Gonzalez (2001) argue the importance to differentiate between the roles of management in 'management' processes, and the role of management in 'leadership' processes. The case suggests effective 'management' of the business units. Acquisition processes and directives for change had been handed down from the new owners, and business units were monitored. Business units did not however, experience the required 'leadership' guidance and were not being guided or transformed in a common direction. The case suggests that the only 'leadership' being provided to the respective business unit employees was from the original (pre-acquisition) founders of each organisation. Beliefs and assumptions for operating the newly integrated organisation therefore, continued to be derived from their original culture and management. Management involvement did not facilitate the transfer of integration plans, nor drive cultural integration change (Marks and Mirvis, 2001).

Management's role as leaders is also to ensure that key 'not negotiable' values, beliefs and norms are abided by and not rejected by differing organisational cultures (Simpson, 2002). It is imperative that leaders set the proper tone for the acquisition and that they articulate the principles for the new organisation. The principles must then be executed and monitored, and management must be prepared to act accordingly (Marks and Mirvis, 2001; Duffy, 1999). Many of the concerns in the case were due to new systems, strategies and processes not being accepted by employees.

According to Schein (1992) and Iles (2001), the unique and essential function of leadership in the acquisition and integration process is its role in manipulating culture. Leaders can first gain an understanding of what needs to be done to manipulate the culture and then 'unfreeze' it so that meaningful change and acceptance can take place (McShane and von Glinow, 2000). Strong integration leadership between the business units would therefore provide assistance in re-aligning business unit management and employee attitudes. It would also provide opportunity to relieve situations creating error, misunderstanding and conflict between employees from different business units.

Respondents indicate that the business integration lacked management and leadership involvement. Effective leadership was particularly important in the process of allowing employees within the Australian business unit to feel that they were 'included' as an important part of the acquisition process (Hagberg Consulting Group, 1998). Australian respondents indicated that Australian employees had a relatively close 'bond', which was maintained by the 'business focus' and culture. Employees therefore believed and assumed that they deserved to

be part of, or at least forewarned of management decisions. Australians also desired effective avenues to challenge management decisions if decisions did not suit the 'Australian' business situation. Strong leadership was required within the Finnish business unit to support the systemic and bureaucracy structures within the culture. Finnish leaders are expected to deliver directives to employees while at the same time support and challenge the bureaucratic system where needed. This was perceived necessary to accommodate cultural deviations and requirements during integration with the Australian operations.

Cultural Understanding

Achieving an awareness and understanding of differing national cultures within companies can be a difficult task (Hall, 1965; Iles, 2001). Hofstede (1984) argues that members of any particular national culture or organisation either reject the notion of cultural dimensions being at play and feel threatened or upset by the concept, or find that gaining a better understanding of cultural differences is an enlightenment. Once employees accept the impact of cultural limitations and differences, understanding takes place.

There are no right or wrong perspectives when dealing with issues of culture. Assumptions, views and beliefs of any culture are elements bound in ethnocentricity (Schein, 1992) and translate in different ways and means of achieving goals. Increased cultural openness allows staff to assess the situation within its cultural contexts and be more open to differing views. This assists in removing the 'us and them' syndrome which often leads to disruption or conflict between international business units (Hofstede, 1984).

The lack of cultural understanding and appreciation for the 'other' culture appeared to be an important cause of difficulties experienced in the integration of the Finnish and Australian business units. There was little evidence by management or employees, acknowledging or accepting cultural differences as a way of explaining and approaching difficulties or tensions that arose during the integration process.

Steps to improve the levels of understanding and awareness of cultural differences in the business units would have benefited the operations of the company overall. Respondents provided no suggestion of specific formal culture training, assessment or planning being conducted in the company prior to, or during the integration. In addition, individuals from both business units had relatively low levels of cultural awareness or cultural 'openness'. Low levels of cultural awareness led to assumptions that most individuals operate on similar beliefs and underlying assumptions. Australians assumed that Finnish employees think and respond similar to themselves and visa versa.

Cultural Change

Academics and business leaders advocate that cultural change in young, newly acquired organisations should be limited (or even avoided) if an acquired organisation is already successful. This is especially the case if there is little effective return from planned changes (Schein, 1992). Adams (2002) argues that anything that slides under the banner of cultural change is doomed to failure. One of the most fundamental mistakes is to imply to organisations that they can't maintain and live their own culture.

Change is usually difficult for people to accept, as it is natural for humans to hold on to established methods, beliefs and ways of doing things (Schein, 1983). Culture forms and acts to be a stabilising force within a group or community and therefore becomes difficult in itself to change (Hofstede, 1980). Respondents indicated that they believed the 'other' business unit, or associated culture, was attempting to 'change' the way things were being done in their business unit. This was particularly the case with Australian respondents who complained that 'the Finnish owner had attempted to change almost everything within their business since acquisition.' The Finnish respondents also commented that the Australians were not responding particularly well to the owner's change initiatives.

The case confirms Kellogg's (2002) suggestion that people perceive their own organisational culture is the 'best' and 'most suitable' for post acquisition operations. Inevitably, what remains when the acquisition dust settles is an 'us vs. them' environment. Usually, the more established, 'stronger', and politically dominant company ends up applying rules and changes

to the cultures of the 'weaker' company. Kellogg (2002) also promotes the concept that acquiring companies should 'not fix what isn't broke', and change should only be instigated where required in acquisitions. Australian respondents believed the business unit was being adversely affected by 'territory marking' change, having little reason and producing little benefit. Many of such changes were said to have served only to increase tensions and resource wastage.

Finnish embedded bureaucracy and size invariably contributes to dominance over the acquired companies (Fincham and Rhodes, 1999). In the case, change was reported to be promoted without considering reasons as assuming dominance was reportedly the 'mind set' of Finnish personnel while Finnish management assumed that directives were followed by employees. Australian respondents indicated a desire to maintain their original culture and believed they knew how to manage their operations more suitably than the new Finnish owners. Culturally 'unsuitable' and unsubstantiated change directives therefore, were criticized, or ignored by the Australian employees which reflects the Australian dislike for authoritarianism. Australian employees also require greater transparency and interaction before accepting change and management can expect continued resistance if employees are not totally 'sold' on promoted ideas.

Building Trust

The construction of trust is the culmination of numerous components within the relationships and operations of the company. Trust occurs when there are positive expectations of another party's intentions and actions in risky situations (McShane and von Glinow, 2000). Organisations cannot operate effectively without trust (Asherman, Bing and Laroche, 2000). Trust between individuals within business units was found to be a serious issue for many of the respondents. The development of trust was identified and accepted as an important part of dismantling cultural barriers and improving integration of the units.

Close interactions and face to face meetings accelerate the accrual of trust. O'Hara-Devereaux and Johansen (1994) states that face-to-face encounters are irreplaceable for both building trust and repairing shattered trust. The violation of trust tends to affect ones approach to cross-organisational citizenship behaviours and interpersonal relationship behaviours. With continued violations of trust, employees' psychological contracts can move from being relational to transactional, making dealings between offices less cooperative (McShane and von Glinow, 2000). In the case situation, it was inferred that there were high levels of trust between employees within each business unit. There was also a degree of trust 'between' business units, although more fragile, difficult to accrue and exposure based. Respondents also indicated that the individuals in each business unit had little opportunity for direct contact, due to the distance between locations and the relative difficulty in communicating on a regular basis.

Maintenance of trust requires different input and output expectations in different cultures (Asherman, Bing and Laroche, 2000). For example, in Australia employees gained trust through delivering on time and carrying out commitments. Australian respondents felt a decline in trust of Finnish personnel if they did not effectively respond to operational requests. Whilst members of business units generally trusted each other from the start of the integration process, trust decreased between operations in particular areas.

A cultural integration plan must recognise the imbalance of forwarded trust between business units. As an effective basis towards building stronger trust between the business units overall, Cummings and Bromiley (1996) suggest proceeding in steps that promote trust, whilst advocating strong tolerance between employees to allow for the 'unknowns' of culture. In addition, Asherman, Bing and Laroche (2000) advocate encouragement of 'emotional bonding' and 'conceptual understanding' between global teams where possible. Emotional bonding can be achieved through greater opportunity for face-to-face meetings, 'after hours' activities, etc. Conceptual understanding is achieved through providing employees with an intellectual understanding of how cultural similarities and differences influence business transactions. Whilst difficulties in interpretations of assumptions are still likely to arise in operations, the method provides a positive basis upon which trust can form. At an operational level, higher levels of trust were offered to the Australians by the Finnish operations, than to the Finnish by the Australian.

Monitoring the integration environment

The basic goal of environmental monitoring includes being as specific as possible, determining the exact nature of problems and concerns (operational or cultural), identifying what it would take to resolve the situation, and whether employees had the resources or required understanding to deal with the situation (Buono and Nurick, 1992). Without environmental monitoring, employees can become frustrated and annoyed with issues. Some respondents indicate that visible attempts to monitor and identify issues of concern would have generated a more positive atmosphere for business integration – a feeling that management was actually interested in assisting or rectifying situations.

Management benefits from providing facilities to monitor, identify and manage the cultural integration process and at the same time create an opportunity to identify concerns within each of the business units (Adams, 2002). The monitoring of environmental conditions at the different business units would have provided management with a better understanding of cultural issues and needs of employees.

The case revealed a diversity of concerns and issues resulting from the integration process. Respondents believed that the issues were not effectively identified by the company or management provided no appropriate resolution and management has no realistic 'picture' of the post-integration company. Rather than finding solutions to concerns and issues, employees indicate they are left to 'fend for themselves' with difficulties and frustrations of the integration process. A failure to monitor the post-acquisition situation also meant that management was not fully aware of the knowledge and training needs of employees operating in the cross-cultural environment.

CONCLUSION

The process of integration after acquiring an organisation directly reflects the planning and actual approach of the acquisition. Even so, both organisations involved in the acquisition and integration contribute to the complexity by means of their national cultural background and the individual organisational culture. Although it is virtually impossible to measure the impact of culture differences on the moral and productivity, there is little doubt over the adverse impact of culture differences on the integration process.

The Finnish-Australian case indicates the dissatisfaction experienced by Australians, mostly attributable to cultural differences. Although the acquisition was characterised by some business planning there was no cultural planning to anticipate differences in business cultures and future problems for integration. An important aspect of successful integration is the establishment of a shared vision and understanding of purpose of either parties in the larger picture, a type of role identification. This exercise should not be done in isolation or without consultation and it is imperative that all concerned parties are involved in the process. The case implies that clear communication before, during and after acquisition and integration is deemed imperative to avoid the 'us vs. them' atmosphere. In addition, both management and leadership must be provided throughout the acquisition and integration, both in terms of hard (profit, structure) and soft (staff, culture) issues. While a clear overall vision and strategic goal is imperative to ensure cooperation, allowing business units freedom in identity is crucial to allow gradual integration. The most important aspect derived from the case implies the importance of understanding and managing organisational and national culture. Although not conclusive, evidence suggests that the nature and poor management of differences in organisational culture indeed sets an environment that can make or break initial successes of acquisition integration.

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Dr Alan Nankervis
School of Management
Curtin University of Technology
GPO Box U1987
Perth Western Australia 6845
Telephone: + 61 8 9266 7413
Facsimile: + 61 8 9266 7897
Email: Alan.Nankervis@cbs.curtin.edu.au

School Secretary

Ms Tonia Geneste
School of Management
Curtin University of Technology
GPO Box U1987
Perth Western Australia 6845
Telephone: + 61 8 9266 7292
Facsimile: + 61 8 9266 7897
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