

UNIVERSITY OF OKLAHOMA

GRADUATE COLLEGE

MANAGING POST-MERGER CORPORATE CULTURE:
A CASE STUDY OF TWO MERGERS IN THE UNITED STATES
TRANSPORTATION INDUSTRY

A DISSERTATION

SUBMITTED TO THE GRADUATE FACULTY

in partial fulfillment of the requirements for the

degree of

Doctor of Philosophy

By

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Norman, Oklahoma
2007

UMI Number: 3242156

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MANAGING POST-MERGER CORPORATE CULTURE:
A CASE STUDY OF TWO MERGERS IN THE UNITED STATES
TRANSPORTATION INDUSTRY

A DISSERTATION APPROVED FOR THE
DEPARTMENT OF COMMUNICATION

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Abstract

The number and value of mergers and acquisitions involving a United States company continue to grow at record rates. The excitement about doing a merger or acquisition is driven by the anticipation of financial success due to reduced competition, operational synergies, and access to larger customer bases. The dark side of mergers and acquisitions, however, is that two-thirds of them either fail or under perform expectations. Although blame is often placed on financial considerations or unrealistic business plans, there has been a recent interest in how the human side of mergers and acquisitions may affect their ultimate success.

One topic often disregarded when a merger is planned is how the corporate cultures of the two companies will react with each other when the companies are brought together. Since every organization has a unique culture, it is possible that the two cultures could clash and undermine the benefits of the merger by reducing productivity, disrupting operations, disturbing the supply chain, or alienating customers.

This dissertation examines and discusses – in case study format – the different approach the leadership of two organizations took to manage corporate culture in their transportation industry mergers.

One company proactively sought to recognize and adopt the best cultural characteristics of both pre-merger partners. The other company chose to rapidly integrate two competitors with an expectation that the culture of the acquired organization would be assimilated into the culture of the new owner.

Using descriptors coined by Harrison and Stokes in 1992, the first case study examines a merger that featured the combination of a company with a *power* culture with

a competitor that had a *support* culture. According to senior management, both cultures contributed to the financial success of the predecessor companies. With the approaching merger, however, the leadership team recognized that a clash of the different values, attitudes, and driving forces could be detrimental to the new company.

The second case studies the merger of two competitors that sought to build a larger end-to-end network. Using the Harrison and Stokes (1992) descriptors, the acquired company in this example had an *achievement* type culture while the acquiring company had and still has a *role* type culture. In this case the post-merger culture change (P. M. C. C.) methodology consisted simply of requiring that the acquired company adopt the rules and practices of the acquiring company.

The creation of these case studies has contributed to the body of knowledge by providing the rationale, results, and consequences that might be analogous to other organizations considering a post-merger culture change. The two mergers selected for this research represent the extreme ends of the change spectrum. The case studies were written based on 23 personal interviews with current and previous employees in a range of positions at both companies. The research also relies heavily on document examination, reference to published materials, and observations of the companies in their natural setting.

The post-merger culture change (P.M.C.C.) at one company relied on the identification and adoption of best practices from both predecessor companies. That merger has been declared to be successful by senior management based on levels of employee satisfaction, profitability, and share price as indicators.

In the second case, no underlying development strategy was used to guide the process. Operating problems attributable to the disregard of job skills developed within months. Many employees who resisted were given an exit opportunity causing a knowledge deficit in territories germane to the acquired company. Severe and costly service disruptions resulted which took years for the company to recover from.

Since no two mergers are alike, this case study research provides information that may be of value to those considering a merger or acquisition. Merger participants should take into account such factors as the workforce size, geographical distribution, strength of collective bargaining agreements, and tenure of employees when making post-merger culture change decisions of their own.

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Glossary of Terms

- *Acquisition* When a company takes over another one and clearly becomes the new owner. From a legal point of view, the target company ceases to exist and stock of the buyer continues to be traded.
- *Chemical Coast* The waterfront along the Gulf of Mexico that stretches from Galveston, Texas, to New Orleans, Louisiana. Site of many chemical and petroleum industries.
- *Corporate Culture* Those shared attitudes and beliefs that give the members of an organization a sense of identity and rules for behavior. Group culture is formally defined as:

“A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” (Schein, 1992, p. 12)
- *Consolidation* A merger when the two firms are approximately the same size (Gaughan, 2002). Only one corporation survives and the merged corporations no longer exist.
- *Grainger* A railroad, usually in the mid-west, that primarily hauls corn or dry grain such as wheat, rye, barley.

- *Intermodal* Cargo that is shipped in containers over multiple modes of transportation. For example, containers taken from ocean-going ships and loaded onto railcars.
- *Merger* The combination of equals (Beitler, 2003). When two firms, often about the same size, agree to go forward as a new single company rather than be separately owned and operated.
- *Organizational Climate (as opposed to Organizational Culture)* Often confused but very different. Climate is defined as the perceived quality of the internal environment. Although subjective in nature, its properties can be quantified by members of the organization through surveys and polls. “Changing climate is easier and faster than changing culture” (Stringer, 2002, p. 16).
- *P. M. C. C. (Post-Merger Culture Change)* This researcher’s term for activities following a merger or acquisition intended to define the organizational culture of the new company. Post-merger culture change is also referred to as acculturation (Nahavandi, 1993).
- *Reverse Merger* The gradual undoing of a merger – similar to what is going on today with AOL / Time Warner. (Frank, 2002). The rationale behind a spin-off or “carve-out” is that the parts are greater than the whole. Reverse mergers may be required due to anti-trust or other judicial findings (such as with the Union Pacific and Southern Pacific’s first merger that was reversed in 1913).
- *Transportation Industry / Transportation Sector* Private or public

enterprises that are organized for the purpose of moving freight or people.

- *Types of Mergers:* Horizontal: the combination of two companies that are in direct competition in the same product lines and markets. Vertical: the combination of two companies that have either a supplier and company relationship or a customer and company relationship. Market Extension: The combination of two companies that sell the same product in different markets. Product Extension: The combination of two companies that sell different product lines in the same market. (Investopedia, 2002).

CHAPTER ONE

RATIONALE, SIGNIFICANCE AND NEED FOR STUDY

Popularity of Mergers as a Form of Strategic Alliance

Managers who are faced with uncertain environments often consider strategic alliances to control costs, supplies, competitors or customers. One such form of strategic alliance is merger and acquisition, a legal process where one company purchases or combines with another to become an entity that shares resources, technologies and profits. Some distinct advantages to mergers or acquisitions are the immediate access to the resources of both companies and a reduction in competition. Offsetting these are the disadvantages of typically costly and risky implementation, a potential decline in productivity, and a lack of focus on the organization's primary business (Nahavandi & Malekzadeh, 1993). Mergers in recent years, also, have been frequently used as a way for companies to increase their domestic or global presence. The current marketplace has been characterized by a number of highly publicized multibillion dollar International deals intended to expand the global reach of the participating organizations (Ashkenas, Ulrich, Jick & Kerr, 2002).

Merger and Acquisition Selection Criteria

Merger and acquisition selection decisions are dominated by financial and strategic factors. Strategic factors commonly cited in the transportation industry include the desire to obtain routes, destinations, or operating locations in an accelerated fashion. The valuation of the target company and the potential for synergy are key considerations. "As mergers and acquisitions have traditionally tended to remain essentially private corporate events, with no effective model to draw from, acquiring management seems set

to continue to make the same mistakes”(Cartwright & Cooper, 1996, p. 25). A high proportion of mergers and acquisitions end up in financial failure or, at best, underperforming expectations. Not surprisingly, when a merger fails, rational financial and economic issues are usually blamed (e.g. economies of scale were not achieved; the strategic fit was poor; or there were unexpected changes in market conditions). When reasons for lack of success of a merger are discussed, the focus is often on the financial and strategic issues. Infrequently, some “people” issues – such as conflicting corporate cultures – are named as contributing factors. Beitler (2003) said the “... reasons for M & A failure include paying too much, lack of due diligence, unrealistic expectations, conflicting corporate cultures and poor strategic planning. (p. 103). A highly visible recent example involves German Daimler-Benz’s merger with U. S. automaker Chrysler Corporation. The deal promised to deliver \$3 billion per year through purchasing synergies and technology sharing. Cultural differences and the lack of a clear integration plan, however, led the parent company to continue to operate the manufacturers as separate business units (Ashkenas, et al, 2002).

Consideration of the Human Side Frequently Disregarded

Leaders who arrange for mergers and acquisitions of their organizations often are not aware of (or concerned with) the effect the merger has on the culture of the two joining companies. When the management of a company decides to acquire another company it usually carefully checks the financial strength, market position, management strength, real estate values and various other aspects pertaining to the health of the other company. Ex-Tyco Chief Executive Officer Dennis Kozlowski said, “The main thing I’ve learned is that acquisitions work best when the main rationale is cost reduction”

(Carey, 1997, p. 5). Rarely checked are those aspects that might be considered cultural: the philosophy or style of the company; its technological origins; its basic assumptions; or its beliefs about its mission or its future. "...a cultural mismatch in an acquisition or merger is as great a risk as a financial, product, or market mismatch" (Schein, 1992, p. 269). Perception and anticipation of these organizational differences could possibly assist in the identification of steps that would improve the likelihood of forming a successful business combination.

Similarly, after a merger of companies, little attention is given to the intentional creation of a new corporate culture based on the best parts of both predecessor cultures. The creation of a new culture cannot be legislated, is difficult to implement, and can be a time-consuming distraction of management attention away from the business needs of the company. Nevertheless, in many situations, a post-merger culture change must occur in order for the merger to meet its expectations. Kaplan and Norton (2004) reported that corporate culture could be either a barrier or an enabler to success and that making the merger a successful strategic fit requires basic changes in the way business is conducted. Since strategy is executed through individuals at all levels in the new organization, new attitudes and behaviors (culture) will be required throughout the workforce as a prerequisite.

Purpose of this Dissertation

This dissertation examines and discusses the different approach two companies in the transportation industry took to address the post-merger culture of their new organizations. The cases were selected because of what appeared to be different underlying principles, style, and processes used in each situation.

Rationale for Study

One of the underlying reasons why mergers and acquisitions often fail to achieve the level of operational and financial performance predicted by pro formas and feasibility studies is the conflict and tension that emerge when companies try to combine disparate and frequently dramatically different cultures (Buono & Bowditch, 1989).

The purpose of this dissertation research is to facilitate organizations considering a merger by revealing the issues the studied organizations addressed regarding the culture of their post-merger organization. In many situations, it is suggested that a post-merger culture change would contribute to the likelihood of success of the new business combination. This dissertation identifies the extreme variations of post-merger culture change that are possible. Additionally, the case studies gauge the suitability and success of the chosen approach. A review of the literature reveals that variations of post-merger culture change include the creation of a whole new culture, the forced dominance of one of the predecessor cultures, or the creation of an environment that allows both cultures to co-exist.

The need for this study exists for four reasons: (1) the topic of the influence of corporate culture is largely ignored by scholarly literature when considering directions and templates for mergers and acquisitions. (2) There is no effective model for considering the human side of mergers and acquisitions to draw from. (3) There is a need to understand if leaders in the case studies recognized an impending culture clash and why they chose the post-merger culture change approach they did. Finally, (4) there is a need to understand if the chosen approach met the user's expectations and if the benefits of implementation exceeded the direct and indirect costs.

Significance of Study

This research is significant because it will be available for use by parties contemplating a merger or acquisition who are interested in anticipating the psychological aspects of their endeavor along with the customarily addressed financial and strategic components. Transformational changes are culture-dependent and require a focused effort to study the organization's current culture and clarify its desired culture (Ackerman, Anderson, & Anderson, 2001). Different acquisitions are likely to result in different cultural dynamics and potential organizational outcomes. Hall and Norburn (1987) made two observations relating to the culture match between partnering organizations. They concluded that the extent to which there exists a fit between the culture of the acquiring organization and the acquired organization will be directly correlated to the success of the acquisition. They also observed that where a lack of fit in organizational culture exists, the success of the acquisition is determined by the amount of post-acquisition autonomy granted to the acquired organization.

Similarly, since many transportation companies recently have identified that the characteristics of post-combination corporate culture can improve chances of having a successful business merger, this dissertation will espouse the methodology and effectiveness of two very different cultural manipulation techniques employed. This will be helpful for other business enterprises (transportation or non-transportation industry) to learn from and adopt in the correction of undesirable cultural or climatic environments.

Chapter Summary

The number and value of mergers and acquisitions has grown year over year to a trillion dollar level worldwide. This activity, in part, is driven by the anticipation of

financial success as a result of having reduced competition and immediate access to each company's resources in a merger situation.

Frequently disregarded, however, is the fact that two-thirds of all mergers either fail or under perform expectations. Typically, when this occurs, managers place the blame on financial considerations or unrealistic business side expectations. Only recently has there been an interest in how the human side of a merger may affect its eventual success. Accordingly, there appears to be a need for a larger body of knowledge for understanding how an impending culture clash can be recognized and what techniques can effectively control it.

In many situations, it is suggested that a post-merger culture change would contribute to the likelihood of success of the new business combination. Several iterations of post-merger culture change are possible, including the creation of a whole new culture, the forced dominance of one of the predecessor cultures, or the creation of an environment that allows both cultures to co-exist.

This dissertation research examines the approach taken in two different transportation industry mergers that took place over the last decade. The rationale for performing this research is to provide information to facilitate organizations considering a merger and a post-merger culture change by revealing the tactics employed in the two studied cases, the rationale for selecting this approach, and the perceived effectiveness of the technique.

CHAPTER TWO

REVIEW OF THE LITERATURE

Dissertation Research Perspective

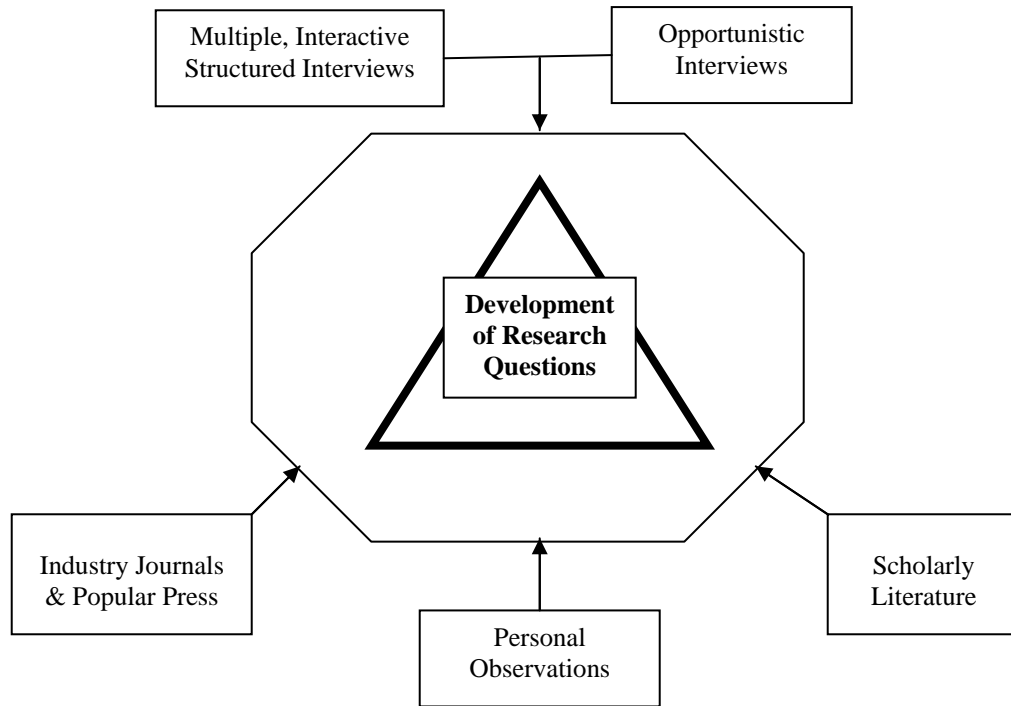
As shown in Figure 1, this dissertation research has five components. These are: (1) multiple, interactive, structured interviews of selected executives, managers, staff, and line employees of the studied companies; (2) opportunistic interviews which manifest themselves as a result of the structured interviews; (3) scholarly literature that has been searched and cited reflecting what is reported regarding the subjects of business mergers, combinations of corporate cultures, and organizational change; (4) industry and popular-press literature which has been reviewed and cited as it relates to the human or cultural element of each particular merger in the sample; and then, (5) personal observations, as a practitioner involved with one of the cases. The interpretation of these five components has initiated the development of the research questions listed in the Chapter Three.

Scholarly Literature – Mergers and Acquisitions

Merger and Acquisition Trends

Saying that mergers and acquisitions are wildly popular would not be an exaggeration. In the five years between 1975 and 1980 there were 13,000 mergers and acquisitions in the United States of publicly held corporations involving a transaction of more than \$1 million. Eight years later, in January 1988 alone – only four months after the 1987 stock market crash – more than \$16 billion worth of takeover attempts were put into play (Buono & Bowditch, 1989).

Figure 1. Dissertation research perspective.



Rather than send a signal of caution, the market crash induced additional activity because of the “marked-down” status of some firms triggering a market condition currently referred to as “merger mania”. Back in the 1980’s it was estimated that 25 per cent of the United States workforce had already been affected by merger and acquisition activity. McManus and Hergert (1988) projected that at the current pace every public company would be under new ownership and/or management by the end of the decade. Although their prediction fell short, the legendary merger mania of the 1980’s pales beside the merger activity to come. In 1998, 10,825 deals involving U. S. companies were announced for a total value of \$1.36 trillion – the first year the \$1 trillion mark was exceeded. Despite a setback following the September 11, 2001 terrorist attacks, merger

and acquisition activity has rebounded as shown in Table 1. The \$1 trillion mark is expected to again be exceeded in 2005. Thomson Financial projects that the business segments which will be most affected in 2005 are technology, manufacturing, and health care. In previous years, among other sectors, mergers have been particularly common among railroads and airline companies due to reduced governmental control and the desire to establish economies of scale.

Investment bankers J. P. Morgan reported that companies worldwide spent \$3.3 trillion on mergers and acquisitions in 1999 – a full 32% more than was spent in 1998 (Ashkenas & Francis, 2000). In addition, new merger and acquisition markets are still emerging. Analysts are projecting that Russia will lead with merger and acquisition activity in Eastern Europe where the value of mergers jumped from \$US 7.5 billion to \$US 23.7 billion from 2002 to 2003 (Pravda, 2004).

By the time 2005 was only one and a half months old, eleven mergers worth one billion dollars or more each had been made. The largest of these, Procter & Gamble's purchase of Gillette, is valued at \$57 billion. Two other mergers in the same period, SBC's purchase of A. T. & T. (its ex-parent company) and MetLife's acquisition of Travelers Insurance from Citigroup, were worth another \$27 billion. The growth continues. For the first 6 months of 2006, the value of mergers worldwide exceed \$1.8 trillion (an increase of 44%) while the value of mergers in the USA increased 23% to \$702 billion.

Table 1

Mergers Over \$5 Million in Value Involving a U.S.A. Company

Year	Number of M & A	Value of M & A (\$ Billion)
1991	3642	141.4
1992	3781	122.8
1993	4447	179.3
1994	5301	282.8
1995	6714	389.8
1996	7839	565.6
1997	9127	776.1
1998	10,825	1,369.6
1999	9,641	1,427.2
2000	9,313	1,780.4
2001	6,793	775.0
2002	5,776	622.0
2003	6,173	518.3
2004	6,919	823.5
2005	--	Est. \$1 trillion

Note. Compiled from “Mergers and Acquisitions: The Dealmaker’s Journal”, ACG/Thomson Financial, Wall Street Journal and CNNMoney.com

Likelihood of a Successful Merger

Mergers and acquisitions continue to be fashionable despite evidence that suggests that a majority of these combinations will fail (Banal-Estanol & Seldeslachts, 2004). Investopedia reported that roughly two thirds of big mergers would lose value on the stock market after the deal is put into play (2004). The likelihood of a merger failing is not a new observation or a current trend. Michael Porter discussed in 1987 that 50 per cent of the United States mergers he studied and reported on previously had since divested, or reverse-merged (Porter, 1987). USA Today reported that in the period between 1980 and 2001, the market value of companies making acquisitions declined by \$221 billion. Nevertheless, the merger trend will continue because companies have cash (Krantz, 2005).

Since mergers and acquisitions are not only economic decisions but also social processes (Risberg, 2003), the reasons for failure can come from either aspect. Banal-Estanol and Seldeslachts (2004) say that three things induce merger failures: uncertainty, keeping some information private, and potential coordination problems. It is in this last category where cultural differences and poor integration efforts lie.

Similarly, four of the reasons often cited for contributing to the failure of a merger are: (1) flawed motivations; (2) unmet economies of scale; (3) cultural incompatibility; and (4) disregard of the core business (Investopedia, 2002).

Reasons Cited for Merger Failures

Motivation Behind the Merger Decision is Flawed

Mergers are often an attempt by management to imitate a rival's big merger. As such, "...the merger may often have more to do with glory seeking [and catching-up]

than with business strategy” (Investopedia, 2002, p. 11). Unfortunately, these forces are not dissuaded by the bankers and lawyers who stand to earn large fees from their merger-focused clients. Similarly, a merger may also be made out of fear of being acquired by another company rather than from a sound business evaluation and a strategic growth initiative.

Elusive Economies of Scale Efficiencies

As a result of a flawed planning process, ineffective execution, or unanticipated obstacles, some cost cuts or anticipated synergies simply just do not happen (Investopedia, 2002). Contributing to this is that all facts may not have been revealed by the seller or discovered in the due diligence process.

Incompatible Corporate Culture

Whenever two organizations with different principles and operating practices combine, there is potential for resentment and hampered productivity due to the changes in values and management style. A sense of resistance to change builds up as well as a sense of ambiguity about what everyone’s roles will be. A dyadic winners and losers atmosphere develops that creates a negative work environment that could undermine the success of the merger (Manjoo, 2002).

Disregard of the Day-to-Day Business

Organizational failure can be caused by management spending too much post-merger time concentrating on cost cutting and integration activities to the detriment of running the day-to-day business. This prompts nervous customers to flee causing revenues, and ultimately, profits to suffer. The loss of revenue momentum is one reason “...many mergers fail to create value for shareholders” (Investopedia, 2002, p. 12).

Effect of Different Types of Mergers

In 1989, Buono and Bowditch assessed different types of mergers and acquisitions. Since there are a variety of combination types, a number of different issues are raised for the firms' employees. These pose problems and possibilities for precombination planning and post consolidation integration (Buono & Bowditch, 1989). Thus, "...the retention of key employees, the importance of the acquired firms' human resources, and the extent to which people's concerns are dealt with in an open and forthright manner can vary quite considerably depending on the strategic type of merger ... and the type of synergy desired" (Buono & Bowditch, 1989, p.64).

A study published in 2001 concluded that:

"Mergers are good for business and labor. Ownership changes were associated with increases in wages at the typical plant. However, the typical worker in a merger fared more poorly because the negative impacts on wages were highest at larger plants where the benefits of restructuring were greatest." (McGuckin, 2001, p. 17)

This raises the question of which is more likely to affect the success of a merger negatively: the fear of lost wages or the mismatch between corporate cultures?

Another study suggests that not all acquisitions are problem-free, and not all problems surface in the planning phase. According to this study "...it is important to examine the two companies' corporate cultures. When they are opposed, post acquisition problems mount" (Bohl, 1989, p. 24).

Scholarly Literature – Organizational Culture

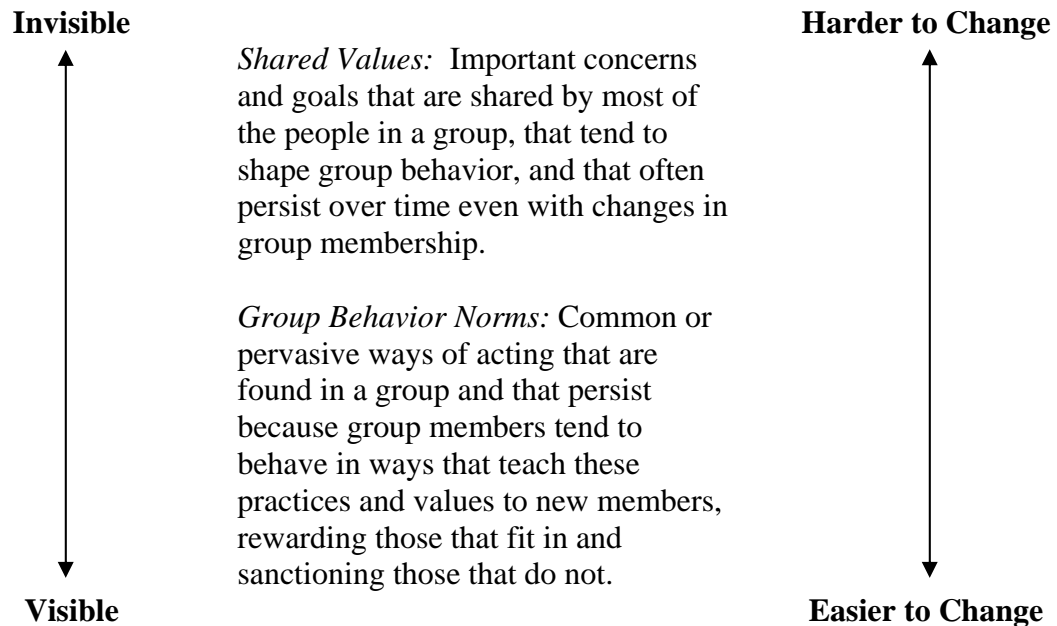
Every business organization has a unique corporate culture. “Culture is the frame of reference that helps distinguish one group of people from another” (Conner, 1992, p. 160). This culture reflects the attitudes and beliefs of the company and is often deep-seated. “Overall, organizational cultures are intricate webs of overlapping and reinforcing assumptions about how the world works” (Klein, 2004, p. 75). When blended with another company, due to this intricacy, the culture of both may mesh, repel each other, or live independently. What is seen in the case of mergers of relative equals is a collision of well-established cultures that leads to many culture-related performance concerns (Fairfield-Sonn, 2001). In most cases, “...the problem of blending or assimilation is compounded by the fact that the new business unit does not have any shared history” (Schein, 1999, p. 173). Unless actions are taken to create a new corporate culture, one usually dominates.

A moderate body of literature on the subject of corporate culture has been in existence for the last ten years. Surprisingly, though, most definitions of culture currently used in the social sciences are modifications of Tylor’s 1871 definition (Buono & Bowditch, 1989). Tylor defined the concept as that complex whole, which includes knowledge, beliefs, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.

Literature, both popular and scholarly, on the subject of business mergers and acquisitions, however, is more abundant and accessible. Nonetheless, the question of how a managed corporate culture affects the success of a merger is not as prevalent and requires primary research. As an illustration of this oversight, the book that is considered

among the leading guides to business combinations, *Mergers, Acquisitions and Corporate Restructurings* (3rd Edition), by Patrick A. Gaughan, does not even mention corporate culture in its lengthy 600+ page text (Gaughan, 2002).

Figure 2. Difficulty of organizational culture change.



Note. From Kotter & Heskett, 1992, p.5

Similarly, the American Management Association in its six-page *Comprehensive Checklist for an Acquisition* makes no mention of having an awareness of the culture of either organization (Bohl, 1989).

The Nature of Low-Performance Cultures

The relationship between corporate culture and long-term economic performance can either be positive or negative. Kotter and Heskett (1992) observed some common characteristics of companies with cultures associated with excellent performance. In these companies almost all managers share a set of consistent values and methods of

doing business. Similarly, all employees' goals are in alignment. In each of these companies there was an unusually high level of employee motivation because these companies had made work intrinsically rewarding. Finally, these companies were able to provide structure and controls without constructing a formal bureaucracy.

Kotter and Heskett (1992) also drew some conclusions regarding the development of cultures that undermine economic performance. Their research raises the question of how difficult it is to transform those cultures into ones that enhance performance. Based on a sample of 20 companies studied between 1977 and 1988, the researchers determined that there were some common characteristics of the organizations that displayed unhealthy cultures. First, managers tended to be arrogant. Second, managers in these cultures tended not to value customers, stockholders, and employees highly. Third, these cultures became hostile to values of leadership because these firms had strong managerial orientations. They tend to behave in centralized bureaucratic ways. The conclusion reached by Kotter and Heskett was that there is "...a positive relationship between the strength of corporate culture and long-term economic performance ... but it is a modest relationship" (Kotter & Heskett, 1992, p. 21). A further perspective raised by the same researchers is that the content of a culture, in terms of which values and mores are common, may be more important than its strength.

Cultural Compatibility

It would seem that cultural compatibility between combining organizations would lead to merger success. However, research done in the last decade found that the combination of dissimilar cultures may be more likely and appropriate. It was found that "... cultural similarity is not necessarily a precondition for satisfactory assimilation"

(Cartwright & Cooper, 1996, p. 91). Their research is based on classifying mergers into three categories: Open Marriages, Traditional Marriages and Collaborative Marriages. Cartwright and Cooper (1996) and Harrison and Stokes (1992) described four general types of cultures as *Power*, *Role*, *Task (Achievement)*, and *Support*. These four culture types have as many as ten possible combinations as shown in Figure 3 on page 20.

Categories of Mergers

Open marriages. This occurs when the acquirer is satisfied with the present performance of the acquired organization. In such circumstances, the acquisition is usually considered to represent a purely strategic extension of the acquiring organization's business activities. In these mergers, the acquiring company sees its role as supporting the acquisition and facilitating its growth. "The essence of the open marriage is non-interference, whereby the acquirer is quite happy to allow the acquired organization as an autonomous business unit" (Cartwright & Cooper, 1996 p. 77). Mergers of this type most often occur in combinations of unrelated businesses. Two conditions are essential for success of this type of merger: a competent management team and a forecast for future growth. An example of an open marriage is bookseller The W. H. Smith Group's acquisition of the Do It All DIY chain (Cartwright & Cooper, 1996 p. 78).

Traditional marriages. These occur when the dominant partner is dissatisfied with the present performance of the acquired organization and feels that its role is to redesign it. Radical and wide-scale change techniques are usually employed to force the acquired organization to adopt the practices, procedures, philosophy and culture of the acquirer. The success of this type of combination depends on the willingness of the acquired

partner to assimilate into the culture of the acquiring company. Difficulties occur when the acquired company resists or seeks to renegotiate the terms. In these cases, the acquirer as dominant partner usually responds with career-modification actions including termination, early retirement, or reassignment. An example of a Traditional Marriage is the acquisition of the Southern Pacific Railroad by the Union Pacific.

Collaborative marriages (a.k.a. *Modern marriages*). A high deal of respect between partners and a genuine recognition that integration will be mutually beneficial are characteristics of this type of combinations. In most situations, collaborative marriages identify and implement the best practices of both organizations and seek synergies and shared learning between both. When difficulties arise it is usually because participants are slow to recognize the collaborative potential and assume it to be a traditional type. The key to success is the speed with which management diffuses any feelings of threat between the two workforces and encourages a cooperative existence. An example of a collaborative marriage is the recent combination of Dollar Rent A Car and Thrifty Car Rental.

Culture Types and Permutations

Harrison & Stokes and Cartwright & Cooper both published similar definitions of culture types in 1992. Cartwright and Cooper, in 1996, expanded their research to consider the effect of mergers of organizations with different culture types.

Power. In this type of organization, the employees are expected to accept that the 'boss knows best'. In *power* cultures leadership rests on the leader's ability and willingness to administer rewards and punishments. At its worst, an organization with a *power* culture manages by fear and imposes a high level of restraint on the individual.

Successful large companies with a *power* culture must have good structures and strong systems in place for performing their work.

Role. These cultures impose less constraint on the individual than *power* cultures. Duties of the employees are clearly defined and often are the subject of implicit or explicit contracts between the organization and the individual. “At its best, the *role*-oriented organization provides stability, justice and efficient performance (Harrison & Stokes, 1992, p. 15). The weaknesses of a *role* culture are its impersonality and the barrier to innovation that comes with the loss of employee autonomy. A merger of a *power* culture company with a *role* culture company will see considerable resistance to change.

Task (Achievement). Employees of these companies are generally highly satisfied and very committed to their organizations. Employees of organizations with this type of culture generally enjoy their work and are pleased with the qualitative, intrinsic, rewards they receive. In these companies the work situation engages the person and the employees feel they are working for something bigger than themselves. In some cases employees supervise themselves and identify what needs to be done with direction from above. There is a high sense of teamwork and camaraderie among the employees as they achieve their common mission or purpose. Companies with an *achievement* culture evoke enthusiasm and commitment but often lack having a heart (Harrison & Stokes, 1992).

Support. Because this culture offers the individual the opportunity for self-actualization, their members are likely to resist any culture change (Cartwright & Cooper, 1992). *Support* culture is based on mutual trust between the individual and the

organization. Some characteristics of *support* cultures include a high level of company and personal communications, harmony and cooperation between employees and work groups, and recognition of achievements and celebration of success. A by-product of the *support* culture is a tendency to “...avoid confrontation sometimes to the point of leaving important issues unresolved” (Harrison & Stokes, 1992, p. 20). On its own, the *support* culture is not results-oriented enough to enable a business to be competitive. However, when merged with a company with an *achievement* culture, the combination often offsets each other’s weaknesses.

Figure 3. Culture combinations.

	<i>Power</i>	<i>Role</i>	<i>Task</i> <i>(Achievement)</i>	<i>Support</i>
<i>Power</i>	X	X	X	X
<i>Role</i>		X	X	X
<i>Task</i>			X	X
<i>Support</i>				X

The possible combinations of these four types of culture are:

1. *Power* with *Power*
2. *Power* with *Role*
3. *Power* with *Task (Achievement)*
4. *Power* with *Support*
5. *Role* with *Role*
6. *Role* with *Task*
7. *Role* with *Support*
8. *Task* with *Task*
9. *Task* with *Support*
10. *Support* with *Support*

Only four of the potential combinations shown in Figure 3 are between similar types. “Traditional marriages almost always lead to such combinations because the

acquired company is usually smaller or less successful than its acquirer” (Cartwright & Cooper, 1996, p. 80).

Once the culture types of the combining organizations are identified and classified, management must determine the degree of similarity/dissimilarity between them. Based on this, the outcome of the cultural dynamics of the combination are potentially predictable and that the culture type before integration is the main determinant if an acquired culture will eventually change or integrate.

Alternative Position

Joseph Astrachan adopted a different explanation of the effect of mergers on culture. He developed a theory of separation anxiety that holds that mergers and acquisitions raise separation anxiety that, in turn, influences individual feelings and behavior (Astrachan, 2004). Separation anxiety is associated with the frightening situation of having a relationship change drastically or end. His model, which suggests that culture is actually defined by the merger, follows a linear pattern. In a simplified version, the news of an impending merger drives separation anxiety (which is affected by prior separation experiences). This forms individual feelings and behaviors that mold patterns of group behavior that eventually affects group task work.

Culture Versus Climate

Buono and Bowditch (1989) drew a comparison between the terms Subjective Organizational Culture and Organizational Climate. Organizational Climate is defined as whether peoples’ expectations about what it should be like to work in an organization are met. Subjective Organizational Culture, per their description, refers to the nature of beliefs and expectations about organizational life. Climate is a measurement of how well

these beliefs are being met. This adds another dimension to this researcher's work because organizations with different cultures can have similar organizational climates. During the process of combining two organizations, the "...cultural collision and resulting shock for organizational members created by living in a different organizational world can disrupt the entire workings of the newly formed firm" (Buono & Bowditch, 1989, p. 143). Since this research is concerned with how both companies managed post-merger corporate *culture* – rather than organizational *climate* – it is important to establish and distinguish between the two definitions.

Summary – Organizational Culture Literature

Most organizations have a unique and deep-seated set of attitudes and beliefs that form the work environment and guide the company's daily activities and decision-making processes. Cultural traits can be visible such as actions that support appropriate behavior. Other traits are invisible such as the shared values of members that persist over time even with changes in-group membership.

Corporate culture has been researched and discussed in literature frequently in the last decade. Literature on business mergers, acquisitions and corporate restructuring is more available and accessible. Nevertheless, research and literature on the cultural implications of mergers is lightly treated. It is known that the associated cultures of both companies in a merger may either coexist, be assimilated or be transformed. It is known, also, that cultural conflicts may be a contributor to the underperformance and possible failure of mergers.

Kotter and Heskett (1992) drew some conclusions about the development of cultures that undermine corporate performance. They also concluded that there is a

relationship between the strength of corporate culture and long-term economic performance. Cartwright and Cooper (1996) suggested that there is a greater probability of dissimilar cultures coming together in a merger than similar cultures. By evaluating and understanding the cultures of both organizations they suggest that the outcome of the cultural dynamics of the combination are predictable and that the culture type before integration is the main determinant if an acquired culture will eventually change or integrate.

An alternative point of view is raised by Astrachan (2004). His model suggests that culture is actually defined by separation anxiety associated with the merger.

Scholarly Literature – Organizational Change

Organizational change, the transformation of the way an enterprise functions, occurs on a continual basis. Much of this falls into the category of modifying work processes, correcting and adjusting staffing levels or improving or discontinuing product lines. Some change is mandated by external forces which are defined as those which are triggered by changes in the external environment including social trends, political forces, new competitors and customer demands. Others are driven by internal forces that could include low customer or employee satisfaction, low performance, having a new mission, or acquiring new leadership (Nahavandi & Malekzadeh, 1999).

Some changes happen slowly and affect the organization gradually. However, other changes are more sudden and fast paced. Gradual, incremental change could be described as evolutionary where the stages of change are hardly discernable by the employees. “Planned evolutionary or convergent change is the result of a specific and conscious action to make changes in an organization” (Nahavandi & Malekzadeh, 1999,

p. 497). Revolutionary change, as the name implies, is rapid and dramatic. In some cases it is planned; in other cases it is a response to a crisis. Events that trigger revolutionary change include being a participant in a merger, major restructuring, large scale process reengineering or the implementation of dramatic changes in operating procedures.

Minor organizational changes often require a brief period of adjustment. Not surprisingly, large-scale changes in work routine, responsibilities or reward systems typically require a longer adjustment period and are met with a correspondingly high level of employee resistance.

The Relationship Between Change and Culture

“Change always threatens a culture” (Deal & Kennedy, 1982, p. 157). People form strong attachments to heroes, legends, rituals and values. Major change, possibly in the form of a merger, strips these relationships and leaves employees confused, insecure, and sometimes angry. The new leadership may realign the organization but may topple heroes that people have revered since the company began. Unless something is done to provide support for the transition, the force of the old culture can neutralize a proposed change (Deal & Kennedy, 1982). In work published 17 years later, the same two researchers reported that mergers affect cultural patterns in three ways separated in time from the date the deal is announced. First, employees try to figure out where cuts will be made. Uncertainty, apprehension and demoralization are prevalent in this phase. Most think that little or no thought is given to the merits, skills, or previous contributions of the people who will lose their jobs as a result of the merger. Second, employees of the acquiring company feel like the winners and employees of the company being acquired

feel like the losers. The winners congregate, make decisions, and impose their will as they always did. The losers withdraw and eventually exit the organization. Third, the survivors discover that the company they now work for is significantly different from the one they worked for before. In mergers of companies with dramatically different corporate cultures, it was concluded that cultural collisions result in cultural isolation for the surviving employees of the acquired firm (Deal & Kennedy, 1999).

Proactive Approaches Towards Changing Corporate Culture

The literature reveals some interesting variations on the subject of changing corporate culture. An examination of these themes and prescribed techniques as proposed over the last two decades by authors and researchers follows in chronological order.

1982 Deal and Kennedy

As recently as 23 years ago, researchers and authors Deal and Kennedy proposed that culture change is only necessary in five situations: (1) When the business environment is undergoing overall change and the company has always been value driven; (2) When the industry is highly competitive and the environment changes quickly; (3) When the company's performance is mediocre or worse; (4) When the company is truly at the threshold of becoming a Fortune 1000-scale company; (5) When the company is growing very rapidly. "In most other situations, large-scale cultural change should simply not be undertaken" (Deal & Kennedy, 1982, p. 161). Additionally, they state that the argument for change must be credible or else the manager won't convince anyone. Major change efforts fail because not enough is put into them. In some cases, attempting to make a culture change is simply not economical.

When attempting a culture change was absolutely mandated, the techniques

prescribed by Deal and Kennedy include: (1) Position a hero in charge of the process; (2) Recognize a real threat from the outside; (3) Make transition rituals the pivotal elements of change; (4) Provide transition training in the new values and behavior patterns; (5) Bring in outsiders to help; (6) Build tangible symbols of the new directions; and (7) Insist on the importance of job security during the transition.

1985 Trice and Beyer

Their position was that deliberately changing a culture is a gradual, incremental and difficult process. (This theme prevails over the next two decades in all the literature). Since one of the ways that people originally learn work-related cultures is through a socialization process of rites and rituals, cultural change can be facilitated this way as well. The technique for facilitating change as proposed by these researchers is embodied in the performance of rites and rituals as shown in Table 2.

Table 2

Trice and Beyer's Techniques for Facilitating Change

<i>Category of Organizational Rite</i>	<i>Example</i>	<i>Expressive Social Consequences</i>
Rites of passage	Induction and basic military training.	Minimize variations in the way individuals carry out social roles.
Rites of degradation	Termination of the top executive or cultural laggards.	Dissolve social identities and their associated power.
Rites of enhancement	Public recognition of accomplishments and	Enhance social identities and their associated power.

	celebration of successes.	
Rites of renewal	Organizational development activities.	Reconstruct social structures and improve the way they function
Rites of conflict reduction	Collective bargaining.	Reduce conflict and aggression.
Rites of integration	Office holiday party.	Encourage and revive shared feelings that bind people together and keep them committed to a social system. Planning events that allow venting of emotion. Today at Dollar Thrifty this is called providing an environment that encourages fierce dialogue.

Note. Adapted from Trice & Beyer (1985)

1989 Buono and Bowditch

Most people will support culture change if they can understand the need for it. However, there are limits to the amount and rate of change people are able to assimilate. Furthering this theme by Trice and Beyer, Buono and Bowditch suggest that it might be

necessary to recruit new employees to replace any incumbents who do not or cannot buy-in to the new values and beliefs.

1992 Conner

The combination of crises that organizations face today makes the need for culture change truly urgent. Since a major function of culture is its own self-preservation, managers should not think that making a culture change is a *quick fix*.

Conner further said that culture change is either evolutionary (unplanned and emerging) or architectural (intentional). After a merger or acquisition there are three types of working relationships that will produce a positive cultural environment (Table 3). The techniques Conner prescribes for an architectural culture change includes: (1) Senior management defines the specific characteristics of the new culture; (2) Management develops a cultural audit to locate gaps; (3) Action plans are made to close the gaps; and (4) Actions are initiated.

Table 3

Post-merger Cultural Event Possibilities

Post-merger Working Relationship	Situation
Coexistence	Occurs when the two different cultures live and work together. Both maintain most or all of their pre-merger characteristics and operate now with autonomy.
Assimilation	Occurs when the dominant culture prevails either through natural forces or greater strength. One company must alter its culture to align with the dominant culture of the other

Transformation	More likely to be seen in mergers than in acquisitions.
	Involves the identification and adaptation of best practices from both organizations being merged.

1992 Kotter and Heskett

These two Harvard Business School researchers said that the first books on corporate culture including those by Pascale & Athos (1981), Peters & Waterman (1982), Davis (1984), Deal & Kennedy (1982), and Ouchi (1981) either avoided the subject or offered simplistic prescriptions for making major changes. In 22 cases of attempted cultural change studied by the Kotter and Heskett (1992), the managers who tended to declare victory on the slimmest of evidence admitted they failed in 16 of the situations. Their approach: The key to success is having an effective leader who has an outsider's perspective and an insider's resources.

1992 Schein

Once the culture has stabilized in a mature organization, manipulations to change it are often limited or superficial in their effects. Schein's (1992) dynamics of change are tied to those derived by Kurt Lewin in 1947 and refer to the change process at the individual, group, or organizational level.

Unfreezing. Lewin, first, and then Schein suggest that for any part of the core structure to change in other than an incremental way, the system must first experience enough disequilibrium to force a coping process and create a motivation to change. Schein defined three distinct components of this unfreezing process: (1) the presentation of enough disconfirming data to cause serious discomfort; (2) the creation of anxiety or

guilt as a result of this disconfirming data; and (3) the sense of psychological safety in solving the problem without a loss of identity or integrity. Examples of disconfirming data are an increase in turnover or a marked reduction in sales.

Cognitive restructuring. After being unfrozen, the change process reflects either new learning or role modeling. The essence of this is often the cognitive redefinition of some basic assumptions. For example, a company may cognitively redefine workforce layoffs as early retirements and provide extensive outplacement benefits. Schein reports this, in many cases, as a cognitive redefinition on the part of senior management more than simply rationalization. Similarly, ambiguity and conflict result when employees who belong to different groups are influenced by the assumptions that are appropriate to the other group. Tolerance for ambiguity will vary between companies and managers (Schein, 1992).

Refreezing. This final step, according to Schein, refers to the necessity for the new behavior and for the set of cognitions to be reinforced. Without this confirmation the search and coping process will continue. With it, "...new assumptions gradually stabilize until new disconfirmations start the change process all over again" (Schein, 1992, p. 303).

1992 – 1996 Cartwright and Cooper

Picking-up on Schein's theme, Cartwright and Cooper addressed the subject of post-merger culture change directly by saying that any decision to change, integrate or maintain culture after a merger requires (1) an understanding of the cultural and sub-cultural values and beliefs throughout both organization; (2) an unfreezing of the existing cultures; (3) a positive presentation of the future; (4) wide-scale involvement of all

employees; (5) adoption of a realistic time frame for change; (6) process for monitoring problems before they escalate.

They recommend the use of cultural informants, joint working parties and inter-organizational team-building initiatives. Four different approaches to culture change are suggested:

1. *Aggressive approach.* This is the most commonly adopted approach by acquirers taking over smaller or less successful companies than theirs. Militaristic tactics are often used to wipeout or tear down the old cultural regime. This approach is characterized by its "...time urgency and lack of respect for organizational past" (Cartwright & Cooper, 1996, p. 132).

2. *Conciliative approach.* Defined by the response to people as rational beings on whom coercion is unnecessary. This approach is often ineffective because employees may not recognize that their old culture has become obsolete and they do not feel compelled to respond.

3. *Corrosive approach.* This is a political approach that gains the participation of various alliances and coalitions within the organization and then manipulates them to achieve participation by other groups. The technique utilizes the invisible covert and informal power network. The disadvantage is that the key constituencies may be as likely to resist cultural change as they are to accept it.

4. *Indoctrinative approach.* The objective of this approach is to train the new culture through planned learning and cultural conditioning. This is a passive approach that can fail if the employees interpret it as propaganda.

Cartwright and Cooper conclude that there is no one best approach to culture change. They report that any single approach may be ineffective and would have to be complemented by an additional approach.

1993 Nahavandi and Malekzadeh

The heart of the Nahavandi and Malekzadeh model is *acculturation*, which is the process by which two or more cultures come into contact and resolve the resulting conflict. There are four general ways in which two cultures can interact when they come into contact:

Assimilation. One of the two firms – most likely the acquired company – gives up its practices, procedures and philosophies and becomes totally assimilated into the acquiring firm. The flow of change is one-way. The acquired firm relinquishes its culture and the acquirer does not change. Overall, in assimilation, the acquired firm ceases to exist as a legal entity and as a cultural entity.

Integration. The acquirer allows the acquired firm some degree of freedom and independence to maintain its own culture. As such, the acquired firm retains most of the cultural elements that provide it with its unique identity. Both companies are structurally assimilated but not culturally assimilated.

Separation. An attempt is made to allow both organizations to stay separate and keep their heritage cultures. Essential to the success of this style is having little or no contact or exchange between the firms.

Deculturation. The least positive and the least desirable form of acculturation involve the loss of all cultural and managerial characteristics. Deculturation typically occurs when the acquired firm's culture is weak allowing the employees to abandon it at

the same time they are not willing to adopt the acquiring firm's culture. Deculturation leads to the highest level of organizational conflict.

1993 Pritchett and Pound

These writers prescribe bold culture change methods that stand in stark contrast to the softer, kinder approach of many other researchers and practitioners. To be effective, Pritchett and Pound say that "Your approach to changing the culture should be highly out of character for the organization" (p. 2) because culture changes move slowly unless drastic steps are employed. Although some of their 22 steps may seem controversial, several of them are seen frequently in use after takeovers and mergers. The Pritchett and Pound model and the Nahavandi and Malekzadeh model are at extreme ends of the change continuum. Highlights of the Pritchett and Pound culture change model include:

- *Visibility.* Make the culture change initiative very obvious by utilizing heavy-duty intervention and deliberately destabilization of the group.
- *Discard.* Time spent analyzing the old culture is time wasted and should be used to focus on the future.
- *Preemptive.* Disarm the old culture and redirect the energy toward new clear goals.
- *Reward.* Change the reward system to be in synch with the new culture. Not doing this will essentially reward resistance.
- *Keep score.* Metrics of success should be decided upon, progress tracked and results posted.
- *Live it.* Promote the change relentlessly. Demonstrate unwavering commitment.
- *Cheerlead.* Initiate a high volume of high quality communications.

- *Expect casualties.* Anticipate that 20% of the people will buy-in immediately, 50% will be undecided and slow to commit, and 30% will be anti-change. “You will be better off getting rid of them” (Pritchett & Pound, 2003, p. 22).
- *Make other changes.* Make structural and administrative changes that are incompatible with the old culture. For example, discard the old policy and procedures manual for a new set of guidelines.
- *Bring in a new breed.* Outsiders arrive in a responsive mood.
- *Don't trust loyalty.* Loyalty to the organization is good. Loyalty to the old culture is a way of hiding resistance to change and can be damaging.
- *Build a power base.* Your best people should get the big jobs. Concentrate on surrounding yourself with only highly committed allies.
- *Orient, educate and train.* Employees will break from old habits if you teach them new routines. “If you're going to break the grip of the old culture, seize control of the schools” Pritchett & Pound, 2003, p. 42).

1993 Trice and Beyer

Performing a planned culture change is just like making a break with the past. It is an inherently disequilibrating process. The change process can be categorized three ways: (1) Revolutionary and comprehensive attempts to change the culture of whole organizations; (2) Efforts to change or contain certain sub-cultures; (3) Gradual and incremental efforts intended to comprehensively reshape an entire organization's culture.

In the eight years since they originally published their process for making a culture change, these researchers have expanded their recommendations considerably.

Now, their previously cited use of rites and rituals has become just one of the eight prescribed steps. As of their 1993 publication, Trice and Beyer recommend:

Seizing a propitious moment. Initiating the change in concert with an obvious problem or opportunity. Culture change is oftentimes best initiated when the organization is experiencing a defining moment. It may even be necessary for senior management to dramatize the circumstances that call for change to stakeholders in order to gain their support and cooperation. The defining moment might be the merger itself of fierce competitors or the loss of a major account or a severe service disruption.

Combine caution with optimism. Managers must have confidence that they can succeed. They should realize that cultures will change anyway and that it is up to them to channel it properly. “Consistency and persistence ... is absolutely essential in conveying optimism and confidence” (Trice & Beyer, 1993, p. 418).

Understand resistance to change. Common sources of resistance to change at the individual level include fear of the unknown, self interest, selective attention, dependence, and need for security. At the organizational level they include threats to power and influence, lack of trust, different perceptions and goals, and resource limitations.

Change many elements but maintain some continuity. Honor the past by identifying principles that will remain constant. This is, however, difficult because components of prior cultural practices and new ideologies may be in conflict with each other.

Recognize the importance of implementation. The stages of change include adoption, implementation, and institutionalization (Trice & Beyer in Shafritz & Ott,

1993). Adoption is simply the decision to make some change; Implementation is the action of putting the change into place; Institutionalization is the persistent incorporation of the change into the daily routines.

Select, modify and create appropriate cultural forms. “Although rites and rituals can act as levers for change ... change is clearly not their usual purpose” (Trice & Beyer in Shafritz & Ott, 1993, p. 420). Culture can be modified by changing or eliminating long-standing metaphors that depict an old organizational ideology,

Modify socialization tactics. The primary way that people learn their cultures is through the socialization processes they experience. If these processes are changed the culture will begin to change. This affects newcomers as well as people in the organization who are being accustomed to their new roles and responsibilities.

Find and cultivate innovative leadership. The most important quality this person should have is the ability to convince members of the organization to give up the security they derive from their previous culture and follow the new leader. This may require the removal of prominent members of the old culture (through firing, offering an enticing retirement package, or some form of degradation).

1996 Quinn

“Organizational change cannot occur unless we accept the pain of personal change” (Quinn, 1996, p. 193). In *Deep Change*, Quinn introduces the work he subsequently publishes with Cameron on building a competing values framework (a description follows). Although Quinn urges us to use the leader within us to confront issues and make deep, organization wide changes, his techniques seem deliberative, staid

and time consuming. Quinn would be at the opposite end of the spectrum from Pritchett and Pound.

1999 Cameron and Quinn

The researchers propose that failure to change organizational culture will doom other attempted organizational changes. They suggest that having a clear understanding of the existing culture is the basis of determining the desired culture.

Cameron and Quinn developed an *Organizational Culture Assessment Instrument* (OCAI) to diagnose the existing corporate culture. The OCAI is based on a competing values framework that illustrates the cultural tendencies of the organization. These are plotted in terms of degrees of control and discretion.

1999 Deal and Kennedy

There seems to be consensus that in cases of mergers and acquisitions, culture changes only reluctantly. The culture of the old firms always lives on in the minds and hearts of the survivors. Vestiges of an entrenched culture will fight back during times of stress or in pockets of masses of surviving employees. Confirming what was previously known, Deal and Kennedy said that productivity and performance in companies pieced together by mergers will most likely suffer. Deal and Kennedy's premise, now, is that managers need to devote time and energy to identifying best practices and forging a new-shared culture.

1999 Schein

Repeating the theme he and others espoused earlier, the person most frequently quoted regarding corporate culture proposes two ways of changing culture. Schein (1999) says the first, planned and managed culture change, will have a greater likelihood

of success if culture is no longer linked to popular leaders, founders or family members. Further, it is helpful to link whatever changes need to be made to existing cultural assumptions rather than starting over with the announcement of a new culture. He proposes, also, the establishment of a cultural committee and other procedural supportive interventions. However, if the above does not produce the desired business results, Schein advises taking drastic steps including bringing in a new Chief Executive Officer from the outside that has a different set of values and assumptions from those of the present culture.

2001 Ackerman Anderson and Anderson

These two researchers wrote that transformational changes are culture-dependent and require a focused effort to study the organization's current culture and clarify its desired culture. They prescribe that, in addition to the classic components of culture (norms, language, stories, etc.), this includes assessing and shaping the mindset of the organization – its guiding principles, ways of being, assumptions and values.

Their recommendation is to form a culture-scanning team made up of representatives from all work groups. The culture-scanning team would recommend how the new culture should be reflected in the new organization's operating practices, processes and structures. Any aspect of culture, style, or behavior could come under this group's study.

2001 Meyerson

Meyerson promotes the belief that radical change should be made in a gentle way and that corporate culture can be changed by using incremental and inconspicuous approaches. The basis of this is that organizations can change through drastic action or

through evolutionary adaptation. Since drastic change is usually discontinuous and mandated and evolutionary change is continuous, gentle, and decentralized, it would follow that incremental, evolutionary change will produce a broad and lasting shift.

Meyerson recommends four techniques to achieve this:

- Disruptive self-expression. This could be a personal demonstration of one's values or a deliberate act of protest and reinforces the importance of the individual's convictions.
- Verbal jujitsu. Describes when a person redirects the force of an intensive statement or action to improve the situation.
- Variable-term opportunists. Capitalize on short and long-term chances for change.
- Strategic alliance building. Described as the process of joining with others to make change with more force.

2003 Beitler

Organizational culture can be changed indirectly as well as directly. A change in strategy (e.g. from low cost producer to niche provider) will affect culture indirectly. Attempting to make direct changes to a culture "...can lead to enormous frustration" (Beitler, 2003, p. 124) because of how deep the roots of culture go. Planned change is often seen as forced and threatening.

The benefits of the planned change must be sold to the employees. Beitler prescribes finding and changing something easy first. Follow that with a celebration. Continue to build a coalition of supporters with clear targets and rewards for success.

2004 Abrahamson

This researcher reports that the only way of effectively making a culture change is by bringing-in outsiders to engineer the change. This is because senior managers feel that "...culture causes most corporate catastrophes whereas brilliant leadership accounts for successes" (Abrahamson, 2004, p. 93). He goes on to say that the conceptual lack of understanding regarding the meaning of the term culture is one of the key obstacles to making positive change. "If you want to know what water is, don't ask the fish." (p. 94). Since we perceive something only when we perceive what it is not, corporate cultures become indiscernible to those immersed in them. The only way to make change is to bring in an outsider who can see a culture for what it is and what it is not. Crafting change in an organization's culture is often a matter of simply cloning elements of a culture that existed previously or already exist in another company division.

An Opposing Point of View

Kotter and Cohen (2002) and Stringer (2002) advanced an opposing opinion that culture comes last rather than first in organizational change. Enterprises often try to modify corporate culture first to increase the speed of acceptance and reduce the natural resistance to change. Their conclusion is that "... culture truly changes only when a new way of operating has shown to succeed over some minimum period of time" (Kotter & Cohen, 2002, p. 176). Trying to shift the norms and values before the new way of operating has been created will be unsuccessful, in their opinion. Although a company can define the behaviors that reflect a desired culture, the culture does not change until those behaviors become norms. Stringer, similarly, said that cultural change is

discouragingly slow. “The point is not to change culture; it is to change performance” (Stringer, 2002, p. 16).

Summary – Organizational Change Literature

Organizational change is an ongoing event. Some changes happen slowly and affect the company gradually, others are more dramatic, drastic, and immediate. It has been known for at least the last two decades that change always threatens a culture (Deal & Kennedy, 1982). Similarly, it is also known that it is often appropriate to modify an organization’s culture to assist with the success of a large-scale organizational change – such as a merger or an acquisition.

Approaches towards changing corporate culture have evolved dramatically over recent years from gentle to drastic to gentle. In 1982 Deal and Kennedy wrote that culture change is only appropriate to address five specific conditions. In most cases, large-scale culture change should not be attempted.

Three years later, Trice and Beyer concluded that changing culture is possible albeit a gradual, incremental and difficult process. Their prescription was to change six key organizational rites in order to enjoy the appropriate social consequences.

In 1992, Conner said that the combination of crises faced by organizations make the need for cultural change truly urgent. Some culture change is evolutionary and some is architectural.

In the same year Edgar Schein devised a three-step plan for changing corporate culture. His model included the promotion of disconfirming data followed by cognitive restructuring. Following on Schein’s theme, British researchers Cartwright and Cooper

defined four different approaches to changing culture ranging from aggressive to conciliative, to corrosive to indoctrinative.

Nahavandi and Malekzadeh espoused their theory of culture change through the process of acculturation. They defined four styles of acculturation – each with its own level of conflict. Also in 1993, Pritchett and Pound produced a 22 step culture change process that can be defined as being very much contrary to the earlier kinder-gentler theories. One of the components of their theory, for example, is to simply eliminate workers who are opposed to change.

Trice and Beyer suggest synchronizing culture change with a defining moment in the organization. Their theory includes keeping some of the remnants of the old culture along with features of the new culture.

The pendulum swung away from Pritchett and Pound with Quinn's (1996) research on making deep changes by using deliberate, staid, and time-consuming methods. Later, Deal and Kennedy said that vestiges of the old culture will always live in the hearts and minds of the employees. Managers must be relentless in forging a new shared culture.

In 1999, Schein reiterated much of what he said about culture change in 1992. However, he said that it is helpful to link whatever changes need to be made to existing cultural assumptions rather than start over with the announcement of a whole new culture, Meyerson, in 2001, seems to agree and suggests that culture should be changed in a gentle, incremental and inconspicuous way.

Then, in 2003, Beitler said that attempting to make changes to a culture can be frustrating. He identifies change with making a number of incremental steps and

celebrating each one. Finally, in 2004, Abrahamson concludes that managers cannot identify the culture of their organization and should not be expected to change what they cannot see. According to this researcher, effective change can only be made by outsiders.

Industry and Company-Specific Literature

This dissertation studies one merger that recently took place in the automobile rental industry and one from the railroad industry. Apart from being service industries that provide a form of transportation, there are some important structural differences in each case.

Merger in the Automobile Rental Industry

The business of renting cars without drivers has been popular for only the last 50 years. The two companies in this case study were fierce competitors who attempted to attract customers from the same pool of travelers in the same markets. The corporate culture of each player was very different, was tied to its heritage, and was not necessarily complementary to each other. Proactive steps were taken by senior management to avert an anticipated culture clash.

Dollar Thrifty Automotive Group Facts

The Dollar Thrifty Automotive Group, with its corporate headquarters in Tulsa, Oklahoma, is a Fortune 1000 company. In mid-2006 it is the only publicly traded company of the eight major players in the car rental industry. Dollar and Thrifty's competitors include the Hertz Corporation (which has announced an Initial Public Offering for late 2006); Avis and Budget Rent A Car which are owned by Cendant (and which have also announced an IPO for late 2006); National and Alamo which are owned by privately held Vanguard, Inc. (also planning an IPO in 2006); and Enterprise, which is

privately held. The Dollar Thrifty Automotive Group has 800 corporate and franchise rental locations in the United States and Canada. The company has 8,500 employees, acquires 120,000 automobiles annually, and produced a profit of \$58.4 million in 2005 on revenues of \$1.5 billion (up from \$50.8 million on \$1.42 billion in revenue in 2004).

Dollar Rent A Car and Thrifty Car Rental started as independent privately held companies. Thrifty was established in Tulsa in 1958 and immediately adopted a franchise model. Thirty-one years later the Chrysler Corporation purchased the company for \$262 million. Dollar was known as Dollar-A-Day Rent A Car when it was founded in 1965 in Los Angeles. The company's current Chief Executive started with the company three years later in 1968. Dollar stayed independent until 1990 when it, too, was acquired by the Chrysler Corporation. Around the same time, Chrysler purchased a third car rental company, Snappy, to service the insurance replacement car rental niche and formed its Pentastar Transportation Group, Inc. composed of Thrifty, Dollar and Snappy. In 1994, Chrysler spun-off Snappy because of a lack of strategic fit. Then, in December 1997, Chrysler disposed of Dollar and Thrifty by taking them public in an IPO that brought \$461.3 million. For this study it is important to note that before and during all of these changes of ownership, Dollar and Thrifty were operated as separate brands with separate fleets and separate facilities with no shared employees and no overlapping management. A small group of executives oversaw both companies on behalf of Chrysler (this entity was known as the Dollar Thrifty Automotive Group).

Both companies had "defining moments" which shaped their unique and opposing corporate cultures. For Dollar, their defining moment was in 1994 when it adopted a strategy of operating corporately in the top 50 airport markets in the United States. This

strategic move, along with an employee led turn-around during the same year, defined the organization as an operating company that was task driven. Thrifty's defining moment was in the same period when it chose to be a franchiser rather than a corporate store operator. Although the company was as focused on results as Dollar, it concentrated on brand building, employee relationships and delivery of services to its licensees. This gave it a markedly different corporate culture than Dollar.

In December 2002 both companies combined in an exercise management titled *Project Catapult*. This new corporate platform merged most headquarters support functions, the rental fleet, and the information technology systems. In the field, back-lot operations of both brands were combined in cities where operations were corporately-owned. With this event, the two previously separate operating companies (Dollar Rent A Car Systems, Inc. and Thrifty, Inc.) were merged into a single company known as the Dollar Thrifty Automotive Group.

Using surplus cash, Dollar Thrifty gave licensee owners in larger cities an opportunity to sell their franchises back to the company. Many took advantage of the exit opportunity to the extent that in 2006 over 82% of Dollar Thrifty revenue comes from corporate-owned operations. With the merger, separate customer-facing rental counters were maintained giving the public the impression of dealing with independent companies. Also as a result of the merger, employees of one brand were now working along-side employees of what was once their competitor. With this, many employees of one brand were now working for managers of the other brand. Managers of both brands could be reporting to executives of either brand. The cultural problems that were anticipated started to develop. Productivity may have suffered and employees still considered

themselves to be part of their heritage dyad. A cultural assessment was performed shortly after the merger that revealed the presence of two distinct cultures each with one major sub-culture. These were classified as the Dollar culture; the Dollar-Florida sub-culture; the Thrifty culture; and the Thrifty-Canada sub-culture. The Dollar Thrifty Automotive Group employed (and is currently employing) a comprehensive, values-driven, approach to making a post-merger culture change.

The Dollar Thrifty approach consisted of studying the cultures of both predecessor companies, adopting the favored components of each, flooding the organization with icons and symbols (future artifacts), building a network of cultural advocates, initiating new policies, practices, programs and leadership training that supported the desired culture, and prescribing the behavior of its officers and employees. Today, Dollar Thrifty is a very profitable enterprise. Although it is far from the largest, it frequently enjoys having the strongest profit margin of any company in the automobile rental industry. The study of this horizontal merger follows the changes and the steps Dollar Thrifty took to establish their new corporate culture after the companies were combined – and the effect it is having on employee attitude, motivation, and corporate earnings.

Merger in the Railroad Industry

American railroads have been moving freight and people since the close of the war with England in 1815. Because of the age of the railroad companies, the tenure of their employees, the strength of collective bargaining units, and the industry's heritage of strong-willed leadership, each American railroad is rich with tradition. Industry sources report that American railroad companies have individual personas and specific and

identifiable corporate cultures. It is commonly stated that United States' railroads received their militaristic hierarchy and rigid discipline from the Civil War officers who developed and expanded the railroad system after the war. Others say that it was the other way around because many Army officers were railroad officers before the war (Hemphill, 2005). Information is not available to suggest that the culture of a railroad is more difficult to change than the culture of companies in other industries.

On October 14, 1980, President Jimmy Carter signed the Staggers Rail Act into law. The legislation loosened the regulated railroad structure that existed since the 1887 Interstate Commerce Act. Staggers relieved government control on ratemaking, marketing, mergers and track abandonment and prompted the elimination of the Interstate Commerce Commission (ICC). Almost immediately, the railroads took advantage of this deregulation and started merging with other railroads. Table 4 lists 23 significant railroad acquisitions since the Act's 1980 passage. Airlines and the trucking industry were also deregulated during the Carter administration, "... but it was the railroads that were most in the need of regulatory relief" (Vantuono, 2005, p. 4). "Most mergers [of railroads] had parallel or duplicate lines that were really surplus. Unprofitable branch lines could be sold, leased, or abandoned. Poorly maintained routes or those with steep grades were... candidates for elimination" (Stover, 1997, p. 247). The mergers materially reduced the number of railroads in operation. In 1976 there were 52 Class I lines (largest revenue producers). By 1995 it was down to eleven. Today there are seven.

Every one of these railroads has a corporate culture that is deep-rooted with history and tradition. An interesting phenomenon is that today, smaller, regional railroads – which got their start as branch lines of the Class I's were spun-off – are

starting to merge for some of the same scales of economy the largest railroads seek. There appears to be continuing opportunity for application of what this dissertation research should reveal.

Union Pacific Railroad Company Facts

The Union Pacific Railroad Company is a fully owned subsidiary of the Union Pacific Corporation, headquartered in Omaha, Nebraska and incorporated in Utah. The Union Pacific Railroad Company operates 7,531 locomotives and 87,500 of its own freight cars over 33,000 miles of company track in 23 of the United States.

Table 4

Significant RR Acquisitions Since Passage of the Staggers Act

Class I Railroads in 2006	U.S. RR Acquisitions Since Staggers Act
Union Pacific Railroad <i>33,000 Route miles</i> <i>49,747 Employees</i> <i>2005 Revenue: \$13.6 billion</i> <i>2005 Net Income: \$1.8 billion</i>	Chicago and North Western Railway (1995)
	Denver & Rio Grande Western Railroad (1987)
	Missouri-Kansas-Texas (1987)
	Missouri Pacific Railroad (1982)
	Southern Pacific Railroad (1996)
	Western Pacific Railroad (1982)
Burlington Northern Santa Fe <i>32,000 Route miles</i> <i>40,000 Employees</i> <i>2005 Revenue: \$13.0 billion</i> <i>2005 Net Income: \$2.9 billion</i>	Atchison, Topeka and Santa Fe Railway (1995)
	St. Louis – San Francisco Railway (1980)
CSX <i>22,100 Route miles</i>	Baltimore & Ohio Railroad (1987)
	Chesapeake & Ohio Railway (1987)

<i>35,138 Employees</i>	42% of Consolidated Rail Corp. (Conrail) (1999)
<i>2005 Revenue: \$8.62 billion</i>	Richmond, Fredericksburg and Potomac (1991)
<i>2005 Net Income: \$1.55 billion</i>	Seaboard Air Line Railroad (1986)
	Western Maryland Railway (1983)
Norfolk Southern	58% of Consolidated Rail Corp. (Conrail) (1999)
<i>21,300 Route miles</i>	
<i>30,294 Employees</i>	Norfolk & Western (1982)
<i>2005 Revenue: \$8.5 billion</i>	
<i>2005 Net Income: \$1.3 billion</i>	Southern Railway (1982)
Grand Trunk Corporation (Holding Company for Canadian National Railways in USA)	Chicago, Missouri & Western (1987)
<i>19,300 Route miles</i>	
<i>21,790 Employees</i>	Illinois Central Railroad (1997)
<i>2005 Revenue: \$6.46 billion</i>	
<i>2005 Net Income: \$1.6 billion</i>	Wisconsin Central (2001)
Canadian Pacific Railway	Chicago, Milwaukee, St. Paul & Pacific RR (1984)
<i>13,800 Route miles</i>	
<i>16,295 Employees</i>	Delaware & Hudson Company (1991)
<i>2005 Revenue: \$3.92 billion</i>	
<i>2005 Net Income: \$0.5 billion</i>	Soo Line (2000)
Kansas City Southern	None in U.S.A.
<i>3,130 Route miles</i>	
<i>3,060 Employees</i>	
<i>2005 Revenue: \$1.35 billion</i>	
<i>2005 Net Income: \$0.1 billion</i>	

Note. Developed from industry publications and journals. Acquisition Date Shown in Parentheses.

The company employs 49,747 full time workers, 87% of whom are represented by 14 major railroad unions. In 2005, the Union Pacific Corporation reported a net income of \$1.8 billion on sales of \$13.6 billion. The company's market value in the same year was \$16.47 billion. For purposes of clarity and readability throughout this dissertation, the

Union Pacific Corporation and the Union Pacific Railroad Company will be referred to as simply Union Pacific.

Union Pacific and Southern Pacific History

In the 19th Century, railroads in the western United States fell into two distinct categories: grain carrying grangers and transcontinentals (Saunders, 2001). This second group was composed of the long-haul railroads that crossed the mountain ranges and the deserts to reach the Pacific coast.

The Union Pacific was the eastern half of the first transcontinental. The Central Pacific (predecessor to the Southern Pacific) owned the western half and together it was known as the Overland Route. The Union Pacific had its own lines to Seattle and Los Angeles, while the Southern Pacific's lines followed a more southerly route. On the west coast, the Southern Pacific had a practical monopoly on north-south traffic.

It built California with a power that no private enterprise was ever intended to have: before 1910, it was a matter of indifference to the railroad whether the Republicans or the Democrats won the statehouse because [the Southern Pacific] owned them both. (Saunders, 2001, p. 15)

One of the fabled railroad barons, Edward H. Harriman, owner of the Southern Pacific, brought the two companies together for the first time in 1900. Harriman's intention was to create an empire that would stretch from Chicago to the five major west coast cities (Seattle, Portland, San Francisco, Los Angeles, and San Diego). However, in 1906 the Interstate Commerce Commission found that his empire was harmful to the public interest. By 1913, the Supreme Court ordered the break-up of Harriman's empire giving a short life to the first of two Union Pacific – Southern Pacific mergers.

In the 1950's, as a freestanding railroad, the Union Pacific used its power and its central position to control the movement of cargo from the granger railroads to the west coast. With the exception of the Chicago, Milwaukee, St. Paul, and Pacific Railway, the five grangers lacked funding to finance their own routes to the west and were forced to interchange cars with the Union Pacific in Nebraska. The C., M., St.P., & P. venture to the west coast ended in 1980 after being in service 71 years. At the time, the Union Pacific's hub and operations headquarters was in Omaha and its executive/corporate headquarters was in New York City. "...the UP was a railroad so proud of its traditions, with so much to be proud of, that it promoted only from within and only those who shared the corporate culture" (Saunders, 2001, p. 322).

The Southern Pacific was proud of its heritage, too. From 1901 to the 1950's, Southern Pacific management was intensely concerned with public relations, and cultivating close associations with business and civic leaders (Matthews, 1996).

Both predecessor companies have a long history of mergers and acquisitions of their own as shown in Figure 4. One combination, Union Pacific's acquisition of the Chicago & North Western [sic], is especially noteworthy because it represented the first of two post-merger meltdowns that crippled the system. The merger gave the Union Pacific a direct route from Omaha to Chicago and was reported in the trade press as a merger that "...should have been a piece of cake ... [but] pretty soon everything was at a standstill" (Frailey, 2005, p. 33).

The Union Pacific Buyout of the Southern Pacific

In recent years, the Union Pacific and Southern Pacific railroads served adjacent regions of the United States and initially handed cars loaded with freight off to each

other. The managers of both companies felt that the merger of these two rail lines would simply make for a larger, end-to-end, rail system – a classic market extension merger. To one writer, “...all the savings and all the efficiencies of seamless service were within instantaneous grasp” (Saunders, 2003, p. 329). At 10 a. m. on September 11, 1996, the Union Pacific became the largest railroad in the United States. However, within months of its \$5.4 billion buyout of the Southern Pacific, railroad traffic in Texas ground to a halt and associated equipment shortages affected train traffic in other parts of the country. Public reports were that severe differences in operating practices, management styles and corporate cultures between the Union Pacific and the Southern Pacific contributed to the melt-down which nearly paralyzed all railroad freight movements (and interstate commerce) in the United States and resulted in government intervention, a shareholder lawsuit, and corporate reorganization. Richard Davidson, Union Pacific's chairman, said that the problems the railroad suffered in 1997 and 1998 were caused by a combination of factors, including "...a lack of integration with respect to that merger" (Monroe, 1997, on-line).

The Union Pacific had good management and a good cash condition. However, railroaders and insiders said that Union Pacific employees exhibited an aura of superiority and disregarded the operational expertise of the Southern Pacific employees in their own territory.

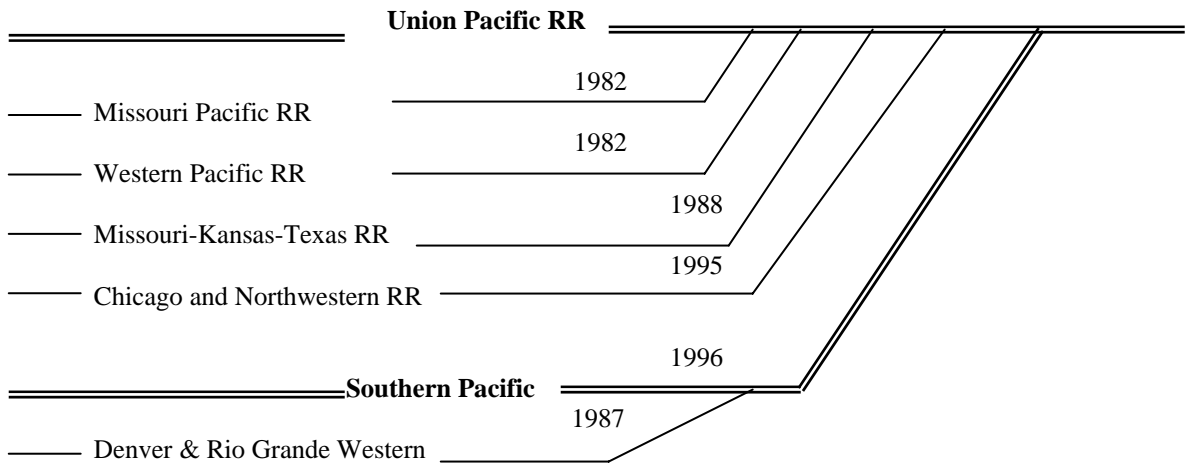
Wall Street and the Union Pacific bankers were looking for a rapid return on investment. Additionally, a personal financial incentive for Union Pacific executives was in place. According to Union Pacific proxy statements, if profits exceeded \$5 a share the

railroad would forgive \$31 million in loans given to top managers to purchase 1 million shares of the railroad.

Problems Following the Buyout

By June of 1997, nine months after the buyout, the Houston terminal district began to clog. When Houston began to congest, trains backed-up waiting to get in. Trains could not leave the many classification yards because they needed the locomotives coupled to stalled in-bound trains. This tied-up trackage, locomotives, and crews and prevented the pick-up and delivery of cargo from shippers. Not having other shipping sources, cargo sat idle, ruining perishable freight. At one point, the whole Chemical Coast district of southern Texas was in gridlock and the route was choked all the way from Houston to Long Beach, California. Large shipments of chlorine were delayed to the City of Los Angeles threatening the public water supply. On a Monday in November 1997, the Union Pacific had 227 trains holding for crews, locomotives, or stuck in congestion. It took 15 days for one Union Pacific freight train to make it from Fort Worth

Figure 4. Union Pacific and Southern Pacific merger activity since 1980.



to its destination in Texarkana – a distance of 250 miles. By December 1997, the damage to the economy was over two billion dollars (Saunders, 2003). Crews were forced to work 12-hour shifts 7 days a week and were falling asleep on the job. Dispatching errors and operator fatigue caused collisions, fires, hazardous material spills, and deaths. The company had five serious accidents in three months that took seven lives and cost millions of dollars in damages (Suroweicki, 1997).

The Federal Railroad Administration (FRA) conducted a 14-day safety inspection of the Union Pacific with an 80 person federal-state team and found significant safety deficiencies in training, dispatching, and employee fatigue (Ingles, 1997). The FRA found evidence of dispatcher stress, widespread examples of employee harassment and intimidation, lack of employee education on operating rules, and the disregard of federally required daily safety briefings. A railroad reporter commented that “After decades of downsizing, Union Pacific...either cannot realize they are in a growth mode, or realize it and cannot adjust” (Ingles, 1997, p. 22). The differences in operating styles and employee attitudes of both railroad participants in this merger played a major role in what the popular press described as a *meltdown* and a loss of managerial control of the railroad.

Chapter Summary

Worldwide, mergers and acquisitions have been utilized extensively for corporate growth and the trend is expected to continue. In 2005 the value of mergers and acquisitions involving a United States company (as either an acquirer or the acquired) exceeded \$1 trillion. Interestingly, mergers continue to be popular despite evidence that suggests that two-thirds of the combinations will either fail or lose value in the

marketplace. One of the reasons cited for this high failure rate is the incompatibility of the cultures of the two combining organizations. Every business organization has a unique corporate culture, those deep-seated attitudes, beliefs, values, and customs that define how the company thinks, behaves and makes decisions. Culture can be changed. The process, however, is reported by most researchers to be gradual with only incremental successes.

Either of three general cultural events can occur after a merger: (1) one company can assimilate the culture of the other, (2) both companies can integrate and share cultural features, (3) both companies can co-exist and maintain their previous cultures.

The theories of organizational change regarding corporate culture have been fluid over the last two decades. They range from a recommendation to do nothing, to a sensitive, education-based, approach to a bold, pre-emptive, high-powered prescription for making a post-merger culture change.

The two mergers selected for this case study research employed change methods at the extreme end of the spectrum. The Dollar Thrifty Automotive Group identified the desirable attributes of both merger participants. Management flooded the organization with icons and artifacts and initiated new programs, policies and practices that support the desired culture. The Union Pacific simply required that the Southern Pacific employees adopt its operating practices and rules-based culture, effectively extinguishing the Southern Pacific predecessor culture. Because of the loss of knowledgeable Southern Pacific personnel, the new railroad suffered service disruptions that congested the system within months.

Research questions raised as a result of this review are shown in Figure 5. The intent of the post-merger culture change study is the development of three themes: approach, execution and results. Specifically, what steps did senior leadership take to manage post-merger culture, how was it implemented, and, what was the effect of the endeavor on the organizations?

CHAPTER THREE

RESEARCH METHOD

Research Perspective

This dissertation research is a qualitative case study examination. The transportation industry – and these particular mergers– were selected for study for three reasons: (1) The different transportation sectors chosen are in the midst of an ongoing trend towards further consolidations, (2) The organizational size, corporate background, and post-merger culture change approach variations will give the results appeal to a wider audience of potential users, and, (3) The visible results of each post-merger culture change approach suggested variations in degrees of success. Accordingly, the results of this research have value and may be transferable to other companies in the transportation industry that are considering a merger.

Purpose Statement

The purpose of this research is to explore the intent, consequences and perceived effectiveness of the different post-merger culture change approaches used in the subject mergers. Learning took place by developing an understanding of the intentions of management and the experiences of individuals at different levels in the organizations. These findings are reported in case study format. The participants of the study represented a range of affected employees including executives, managers, front line service providers, and support personnel. Because of the face-to-face nature of the interviews, the study can be described as having media richness. The research took place at, or near, the headquarters location of each organization as well as at some selected

field sites. A qualitative rather than quantitative study was selected for these reasons: (1) the research is rooted in empiricism. As such, an important component of the research was based on observations and participant interviews conducted in their natural setting; (2) the research is naturalistic, interpretive and draws on multiple methods of inquiry; (3) the research focuses on description and analysis of pre and post-merger conditions and is fundamentally interpretive.

The Basic Characteristics of Qualitative Studies

Rossman and Rallis (1998) stated that a legitimate qualitative study incorporates several characteristics. Their characteristics and how this post-merger culture change case study research addresses them follow.

Natural Setting

Qualitative research takes place in the natural setting. In order to develop an acceptable level of detail about the post-merger culture change, this researcher has traveled to the site of the mergers and solely participated in the recording of the participants' actual experiences, perceptions and opinions.

Multiple Methods Used

Qualitative research uses multiple, interactive, and humanistic data collection methods. The data collections methods that were used in the post-merger culture change study included open-ended interviews, observations, and document examination. Yin (1993), a leading authority on applied social research, reported that the case study is the method of choice when the phenomenon under study is not readily distinguishable from its context. He points out that the richness of the context means that the ensuing study will likely have more variables than data points. He also states that this richness means

that the study cannot rely on a single data collection method but will need to use multiple sources of evidence.

Multiple-case studies, according to Yin, should follow replication logic rather than a sampling logic. This means that two or more cases should be included within the same study because the researcher believes that similar results (replications) will be found. The development of consistent findings, over multiple cases and even multiple studies, can then be considered as having strength (Yin, 1993, p. 34). Similarly, the research may uncover a lack of replication that could identify suitability for certain dependent variables.

Emergent, Not Tightly Prefigured

Qualitative research is emergent rather than tightly prefigured. During the post-merger culture change study, research questions were refined as different willing sources and perspectives of information were identified. The evolving nature of the research made it difficult to tightly prefigure at the proposal stage. Phenomenological researchers often conduct what may appear to be loosely structured interviews because the core questions of the interview may be altered if it seems appropriate as the interview progresses (Rudestam & Newton, 2001).

Interpretive

Qualitative research is fundamentally interpretive. As Rossman and Rallis (2003) discussed, it is impossible to escape the personal interpretation of the researcher. This includes the description of the setting, the analysis of themes, and the interpretation of its meaning.

Holistic

The qualitative researcher views social phenomena holistically. By nature, this study of post-merger culture change appears as more of a broad panoramic view than a microanalysis. However, to maximize the usefulness of its content to others concerned with post-merger culture change, perspective of the consequences and effectiveness at different employee levels was sought.

Awareness of Personal Bias

The qualitative researcher is sensitive to how his personal biography shapes the study. Since the post-merger culture change study includes a culture change that this researcher was a participant and co-designer of, it requires a great degree of honesty, openness to the research and introspection. In many cases, “The personal-self becomes inseparable from the researcher-self” (Creswell, 2003, p. 182).

Complex Reasoning

The qualitative researcher uses complex reasoning. The reasoning process in a qualitative study can be both inductive, deductive, and iterative. Rossman and Rallis (2003) refer to a process of continual cycling between data collection, analysis and problem reformulation. Using Yin’s case study classifications as a basis, the categorization of the post-merger culture change study is a descriptive study of multiple cases.

Inquiry Strategy

Inquiry Strategy Selection

Qualitative researchers have a variety of inquiry strategies to select from. Glatthorn (1998) identifies four as: (1) ethnographic, (2) historical, (3) psychological and

(4) sociological. Rudestam and Newton (2001) prefer to describe three qualitative research possibilities: (1) taking a *holistic* view (suspecting that the whole is different than the sum of its parts), (2) adopting an *inductive* approach where the researcher begins with a specific observation and moves towards the development of a general pattern, and (3) employment of *naturalistic* inquiry which refers to discovery in the natural environment versus in a controlled experiment. Creswell (1998) asserts that there are five possibilities – traditions, as he calls them – of inquiry strategy: (1) narrative, (2) phenomenology, (3) ethnography, (4) case study, and (5) grounded theory. Since Creswell’s five traditions encompass those by Glatthorn and the Rudestam & Newton, they are described below.

Narrative Inquiry Strategy

Described as when a researcher studies the lives of individuals and asks some of the participants to provide stories about their lives. The information is reformatted into a narrative chronology.

Phenomenology

Involves the study of the experiences subjects have as a result of a certain phenomenon. Typically involve a small number of subjects during a lengthy engagement.

Ethnography

Research wherein a cultural group is studied in their natural setting over a prolonged period of time. Relies predominantly on observational data collection. Rudestam and Newton (2001) refer to this as the *constant comparative method*.

Grounded Theory

This tradition often makes use of interviews, journals, and participant observations in order to derive a general theory of an action or an interaction grounded in the views of the participants. Involves the constant comparison of data following multiple stages of data collection.

Case Study Discussion

Defined as the in-depth study of a program, an event, an activity, a process, or one or more individuals (Creswell, 1998). It is not uncommon to employ a variety of data collection procedures for the development of a case study.

The strength of case studies is their detail, their complexity, and their use of multiple sources to obtain multiple perspectives. The result is the thickness of description that allows the reader to interpret and decide the applicability of case learnings to another setting. (Rossman & Rallis, 2003, p. 105)

Based on these descriptions of suitability, the case study format was selected as the most appropriate research inquiry strategy for the post-merger culture change dissertation. This is so for three reasons. First, the varied techniques the three organizations utilized were explored in depth. An attempt was made to establish if the steps the organizations took were pre-meditated or simply casual. Perceived success and post-merger culture change duration was studied as well. Second, since the case study is the method of choice when the phenomenon under study is not easily distinguished from its context (Yin, 1993), it was most appropriate here because of the expected complex interaction between the post-merger culture change phenomenon and the various constituencies. Finally, the researcher's intent with the post-merger culture change study

is to offer readers an opportunity to apply the lessons learned in these three cases to another population, This is what Rossman and Rallis refer to as “...reasoning by analogy...” (p. 105). Since the post-merger culture change study is a qualitative case study, the research questions used were open-ended and evolutionary as the study continued.

Data Collection Procedures

Research Methodology

Three forms of data collection were utilized during this research. They were interviews, observations and document review. Each of these data collection types has unique options, advantages and limitations.

Interviews

Three types of interviews were utilized in this qualitative study: (1) Face-to-face, one-on-one, in-person interviews, (2) Telephone interviews, and, (3) Group interviews. Interviews are useful because they give the participants an opportunity to provide historical information while they allow the researcher a degree of control over the line of questioning. Limitations to interviews are that they provide information that is filtered through the views of the participant. Also, since people are not equally articulate and perceptive, the content of their contributions may be varied.

For the post-merger culture change study, information was sought during structured interviews of selected executives, managers, line and staff employees of Dollar Rent A Car, Thrifty Car Rental, Union Pacific, and Southern Pacific. The employment status of these workers was active, retired or terminated. The detection of information trends in any of these groups caused the evolution of a line of questions intended to

segment the perceptions of the particular group. Questions used in the interviews were open-ended and designed to prompt discussion and conversation. This information from some interviews was audio recorded and transcribed shortly afterwards. As was discussed earlier, these interviews were conducted at or near the site of the merger and at field locations where affected employees conduct their work. To conserve research expenses, some of these interviews were telephonic rather than in-person.

Observations

Several different combinations of types of observation exist based on whether the observer's role is concealed or not and based whether the participant is the observer or not (Creswell, 2003). The advantages to collecting data through observation are: first, the information is recorded as it is revealed. It is not experienced and recalled later. Second, it allows for any unusual aspects to be recorded during observation. Finally, it may be useful in exploring topics that may be uncomfortable for participants to discuss. The success of the observation form of data collection is based on the attendance and observational skills of the researcher. Additionally, the researcher may be seen as intrusive which might limit access to observable information.

Since one of the mergers being studied is the researcher's company (see the section below on concerns with *Backyarding*) personal unstructured observations with the in-process post-merger culture change were made and incorporated into the case study. These observations of behavior and activities were recorded as field notes. Access to the pre-merger heritage workplaces and employee pods was available lending itself to abundant observational opportunities.

The researcher in the post-merger culture change study purchased a quantity of common stock in both companies (New York Stock Exchange symbols DTG and UNP,) in order to have access to each organization's Annual Shareholder meeting and quarterly earnings calls for an additional opportunity to observe the corporate atmosphere.

Document Review

A review of public and internal documents enabled the researcher to obtain the language and words of the participants. Additionally, the collection of these was conveniently and unobtrusively pursued. The limitations of this type of research are that some of the data may be protected and unavailable to public access.

One of the studied organizations is very large and is reported on in the media regularly. In 2004, Union Pacific became the 288th largest company in the world. Because of this, there was a bountiful supply of public documents available for incorporation into the case study. These materials were in the form of stock offering circulars, books, newspaper and trade journal articles, and public records of meetings and negotiations. Limited access to Union Pacific historical information was made through the Union Pacific Museum in Council Bluffs, Iowa, and through contacts at the Union Pacific Historical Society.

Documents examined from the Dollar Thrifty merger included the strategic plan, the cultural design methodology, and ongoing cultural team meeting summaries.

Research Questions

Discussion

Creswell (1998) recommends that a researcher reduce the entire case study to a single overarching question and several sub questions. One model for conceptualizing the subquestions is to present them in two sets: (1) issue subquestions, and (2) topical

subquestions (Stake, 1995). Issue subquestions address the major concerns to be resolved. Topical subquestions anticipate the need for information and can actually become the template for data collection, data analysis, and narrative format construction. Rudestam and Newton (2001) concur. The primary question is usually followed by a series of further questions that have direct implication for data analysis.

Rossmann and Rallis (2003) agree and are more descriptive regarding the follow-up questions. They recommend framing the study as responding to one or two general questions with three to five subquestions to refine the general ones. Important considerations are that questions should be non-directional. That is, they should not imply cause and effect or suggest measurement and they should be worded in such a way that yes or no answers are avoided. Questions asking about "... impact, influence, or amount are quantitative questions masquerading as qualitative ones" (Rossmann & Rallis, 2003, p. 131) and should also be avoided.

Research Questions Specific to This Study

The objective of the post-merger culture change study was the development of two themes: intent and consequence. Specifically, What steps did the organization take to manage the post-merger corporate culture? And, What was the effect of their endeavor on the organization? With this as a basis, two primary questions each, with two issue and two topical subquestions were developed and appear below in Figure 6.

To ensure that all participants have a common understanding of the topic, an explicit definition of corporate culture was presented at the start of the interview. Additionally, the respondents were asked what the merger meant to them. For example, was it a take-over, a combination of equals, or a financial buy-out?

Sources of Data

Sampling Strategy

Interview participants. A substantial portion of the post-merger culture change case study content was derived from personal one-on-one interviews with present and past employees of the four merger participants. As stated above, the purpose of the research is to determine the company’s intent regarding the management of post-merger corporate culture and perceived success of their efforts. To facilitate this, participants were from employee groups that were either part of the design of the post-merger culture

Figure 5. Post-merger culture change study interview questions.

P. M. C. C. STUDY INTERVIEW QUESTIONS	
(Start by providing a definition of corporate culture to the participant.)	
Primary Question	How were the cultures of both companies different before the merger?
Issue Sub questions	<ul style="list-style-type: none"> • How did the acquiring company determine that a culture change was necessary? • How did the acquiring company decide on what the desired culture of the new company should be?
Topical Sub questions	<ul style="list-style-type: none"> • How would you describe the attitudes, values, beliefs and motivations of the people in your company before the merger?
Primary Question	What steps did the acquiring company take to change the culture of either company after the merger?
Issue Sub questions	<ul style="list-style-type: none"> • How long after the process started did it take to see a change in employee attitudes, values, and beliefs • Why do the employees feel or not feel that the culture change was an appropriate undertaking?
Topical Sub questions	<ul style="list-style-type: none"> • How would you describe everyone’s attitudes and values after the merger? • What visible objects are in place that attests to the post-merger culture? • What consequences to the culture change effort were there that other companies should be aware of? • How has the culture change effort affected the company’s financial results?

change or were affected by it. For that reason, it was important that executives, managers, line employees and staff employees all were included in the sample. Table 5 illustrates the number of subjects from each company in each employment group who were interviewed. Rossman and Rallis refer to this maximum variation style as “...stratified purposeful sampling...” (p. 138) as opposed to stratified random sampling.

Opportunistic Interviews

Creswell (1998) refers to opportunistic sampling as the practice of following new leads and taking advantage of the unexpected. As anticipated, as relationships were built, the participants listed in Table 5 referred the researcher to other interview participants with either post-merger culture change intent or success experience.

Recruitment Procedures

A two-step process was employed to recruit interview participants when the participants were not known. Step One was to notify potential participants that a study of corporate culture is being undertaken. This notification was made by email or in person to employees of the Dollar Thrifty Automotive Group. It was done at the Union Pacific Railroad through personal contacts. Interested parties were directed to contact the researcher for additional information. Step Two was to pre-qualify each interested party, if unknown, with a brief qualifier questionnaire. The purpose of this document was to establish the respondent’s position with the company, tenure, and predecessor company heritage. This also provided an opportunity to distribute the necessary Institutional Review Board consent forms. An example of the qualifier questionnaire is displayed as Figure 6. Based on the information contained in the qualifier questionnaire, the volunteer was either accepted as an interview participant or thanked for their interest in the project.

Table 5

Subjects Interviewed for This Research

	Total Interviews	Less than 5 Years Service Note 1	More than 5 Years Service Note 1	Hired Since the Merger
Dollar Rent A Car Executives Note 2	2	0	2	n/a
Dollar Rent A Car Managers Note 3	2	1	1	0
Dollar Rent A Car Employees	3	1	1	1
Thrifty Car Rental Executives Note 2	2	0	2	n/a
Thrifty Car Rental Managers Note 3	1	0	1	n/a
Thrifty Car Rental Employees	2	0	2	0
Total Dollar Thrifty	12	2	9	1
Union Pacific Executives Note 2	3	0	3	n/a
Union Pacific Management Note 3	3	0	3	0
Union Pacific Line/Staff Employees	2	0	1	1
Southern Pacific Executives Note 2	0	0	0	n/a
Southern Pacific Management Note 3	1	0	1	0
Southern Pacific Line/Staff Employees	2	0	2	n/a
Total Union Pacific	11	0	10	1
Total	23	2	19	2

Note 1. Length of service as of the date of the merger

Note 2. Officers of the corporation who were involved with the merger will be sought

Note 3. Managers who were architects of the P. M. C. C. are of prime interest

Data Recording

The data from which the case studies were written came from three sources: interviews, observations and the review of documents. The recording of the data collected is described as having two dimensions: fidelity and structure (Rudestam & Newton, 2001). For example, an open-ended interview, when properly recorded, is described as having high fidelity and low structure. Information collected from standardized pen and paper surveys, however, are characterized as having high fidelity and high structure.

Figure 6. Qualifier questionnaire.

Thank you for your interest in my Ph.D. post-merger corporate culture research study. Please take a moment to complete the following questions about yourself. When done, simply return the form in the enclosed envelope. I will contact you shortly thereafter.

Thank you!
Jim Senese
 18415 South Old Highway 88
 Claremore, OK 74017-1387

Name													
Best way of getting in touch with me													
The company I worked for before the merger	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: none;"><input type="checkbox"/></td> <td style="width: 25%; border: none;">Dollar Rent A Car</td> <td style="width: 25%; border: none;"><input type="checkbox"/></td> <td style="width: 25%; border: none;">Southern Pacific Lines</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Thrifty Car Rental</td> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Union Pacific Railroad</td> </tr> </table>	<input type="checkbox"/>	Dollar Rent A Car	<input type="checkbox"/>	Southern Pacific Lines	<input type="checkbox"/>	Thrifty Car Rental	<input type="checkbox"/>	Union Pacific Railroad				
<input type="checkbox"/>	Dollar Rent A Car	<input type="checkbox"/>	Southern Pacific Lines										
<input type="checkbox"/>	Thrifty Car Rental	<input type="checkbox"/>	Union Pacific Railroad										
My position at the time of the merger	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: none;"><input type="checkbox"/></td> <td style="width: 45%; border: none;">Line Employee (with customer contact)</td> <td style="width: 25%; border: none;"><input type="checkbox"/></td> <td style="width: 5%; border: none;">Staff Management</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Staff Employee (supports line employees)</td> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Executive / Officer</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Line Management</td> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Other:</td> </tr> </table>	<input type="checkbox"/>	Line Employee (with customer contact)	<input type="checkbox"/>	Staff Management	<input type="checkbox"/>	Staff Employee (supports line employees)	<input type="checkbox"/>	Executive / Officer	<input type="checkbox"/>	Line Management	<input type="checkbox"/>	Other:
<input type="checkbox"/>	Line Employee (with customer contact)	<input type="checkbox"/>	Staff Management										
<input type="checkbox"/>	Staff Employee (supports line employees)	<input type="checkbox"/>	Executive / Officer										
<input type="checkbox"/>	Line Management	<input type="checkbox"/>	Other:										
Length of service at the time of the merger	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: none;"><input type="checkbox"/></td> <td style="width: 75%; border: none;">Less than five years of service</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">More than five years of service</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Joined the company after the merger</td> </tr> </table>	<input type="checkbox"/>	Less than five years of service	<input type="checkbox"/>	More than five years of service	<input type="checkbox"/>	Joined the company after the merger						
<input type="checkbox"/>	Less than five years of service												
<input type="checkbox"/>	More than five years of service												
<input type="checkbox"/>	Joined the company after the merger												
My current employment status	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; border: none;"><input type="checkbox"/></td> <td style="width: 75%; border: none;">Actively employed by the merged company</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Left and currently working somewhere else</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Between jobs</td> </tr> <tr> <td style="border: none;"><input type="checkbox"/></td> <td style="border: none;">Retired</td> </tr> </table>	<input type="checkbox"/>	Actively employed by the merged company	<input type="checkbox"/>	Left and currently working somewhere else	<input type="checkbox"/>	Between jobs	<input type="checkbox"/>	Retired				
<input type="checkbox"/>	Actively employed by the merged company												
<input type="checkbox"/>	Left and currently working somewhere else												
<input type="checkbox"/>	Between jobs												
<input type="checkbox"/>	Retired												

Included with this brief survey is some important information from the University of Oklahoma Institutional Review Board regarding this study and the confidentiality of the participants' responses.

The techniques that were employed to record the collected data in the post-merger culture change study are shown in Table 6.

Table 6

Post-merger Culture Change Study Data Collection Techniques

Interviews	Observations	Document Review
Conduct and audiotape structured open-ended interviews	Gather observational notes as a participant	Analyze public documents
Enter data into Microsoft Word	Gather observational notes as an observer	Continue to expand the literature review of trade publications
	Collect samples/photographs of artifacts	
	Maintain a document file or record observations in a journal	Maintain a document file or record observations in a journal

Note. Adapted from Creswell (2001), Rudestam & Newton (2001), Cone & Foster (1993)

Data Analysis

Rossmann and Rallis (2003) describe the analysis and interpretation process as having three components. The first is the systematic organization of the materials into salient themes and patterns, followed by bringing meaning to the themes, and finally converting it to a narrative that others can read and understand. The same researchers say that the analysis actually starts at the same time the study is designed, the conceptual framework, research questions, and research design "...all provide preliminary foreshadowing of the analysis" (Rossmann & Rallis, 2003, p. 270).

Stake (1995) refers to four forms of data analysis and interpretation in case study research. In *categorical aggregation*, the researcher collects a series of instances from the data and hopes that issue-relevant meanings will emerge. The *direct interpretation* approach involves the drawing of meaning from a single instance. The third approach, *naturalistic generalization*, involves the creation of generalizations that others can apply to a population of cases. The fourth form of data analysis is simply called *patterns* where the researcher looks for apparent relationships between two or more categories of data. Since this dissertation is a qualitative study of two specific mergers in the transportation industry, the research questions orient to cases or phenomena seeking patterns of expected and unexpected relationships, the approach that seems most appropriate is direct interpretation

Validity

“Validity does not carry the same connotations as it does in quantitative research, nor is it a companion of reliability ... reliability and generalizability play a minor role in qualitative inquiry” (Creswell, 2003, p. 195). He continues to say that validity is a strength of this type of research.

According to Rudestam and Newton (2001), qualitative researchers have developed their own language to describe reliability, internal validity, and external validity. To these, the important considerations are the trustworthiness of the design as well as the audit ability (reliability), credibility (internal validity) and fittingness (external validity). Other terms frequently used by qualitative researchers are: *Criteria of Adequacy* which refers to having enough data to make accurate conclusions; *Appropriateness of Data* means that information has been chosen purposefully to meet

the needs of the study; and *Audit Trail* refers to keeping a record of the process of the study so others can replicate the steps and reach the same conclusions.

A case study, as viewed by Stake (1995) requires extensive verification. He refers to two procedural concepts: triangulation and member checking. Triangulation “...searches for the convergence of information...” (p. 213) and member checking is the validation that each participant concurs with how his or her comments were recorded. He concedes, however, that member checking – which is done after the data are collected – usually results in few responses from the participants. In lieu of this, Stake (1995) recommends a 20 criteria checklist for assessing a good case study report (p. 131).

Figure 7. Stake’s checklist for assessing a good case study report.

- | | |
|--------------------------|--|
| <input type="checkbox"/> | 1. Is the report easy to read? |
| <input type="checkbox"/> | 2. Does it fit together, each sentence contributing to the whole? |
| <input type="checkbox"/> | 3. Does the report have a conceptual structure (i.e. themes or issues)? |
| <input type="checkbox"/> | 4. Are its issues developed in a serious and scholarly way? |
| <input type="checkbox"/> | 5. Is the case adequately defined? |
| <input type="checkbox"/> | 6. Is there a sense of story to the presentation? |
| <input type="checkbox"/> | 7. Is the reader provided some vicarious experience? |
| <input type="checkbox"/> | 8. Have quotations been used effectively? |
| <input type="checkbox"/> | 9. Are headings, figures, artifacts, appendixes, and indexes used effectively? |
| <input type="checkbox"/> | 10. Was it edited well, then again with a last minute polish? |
| <input type="checkbox"/> | 11. Has the writer made sound assertions, neither over nor under-interpreting? |
| <input type="checkbox"/> | 12. Has adequate attention been paid to various contexts? |
| <input type="checkbox"/> | 13. Were sufficient raw data presented? |
| <input type="checkbox"/> | 14. Were data sources well chosen and in sufficient number? |
| <input type="checkbox"/> | 15. Do observations and interpretations appear to have been triangulated? |
| <input type="checkbox"/> | 16. Is the role and point of view of the researcher nicely apparent? |
| <input type="checkbox"/> | 17. Is the nature of the intended audience apparent? |
| <input type="checkbox"/> | 18. Is empathy shown for all sides? |
| <input type="checkbox"/> | 19. Are personal intentions examined? |
| <input type="checkbox"/> | 20. Does it appear that individuals were put at risk? |

Note. Adapted from Stake, 1995, p.131.

Stake's checklist appears to be a sound approach because it address several traditional categories of validity, including: *Face validity* which refers to content that looks like it is appropriate for the purpose at hand; *Content Validity* which speaks to how well the content samples the universe relevant to the construct or behavior being assessed; *Construct Validity* which refers to instruments whose scores have been found to enter relationships required by the theory; *Convergent Validity*, other ways of assessing the same behavior or construct; and, *Discriminative Validity* that exists if content has been shown to produce expected differences between groups (Cone, 2001).

Interpretation

Rossmann and Rallis (2003) caution qualitative researchers that as they put forward their interpretations they have to challenge the patterns that seem very apparent. "Alternative understandings always exist; you will need to search for, identify and describe them and then demonstrate how your interpretation is sound, logical and grounded in the data" (Rossmann & Rallis, 2003, p. 289).

Qualitative Narrative

According to Creswell (1998), some case studies generate theory, some are simply descriptions of cases, and others are analytical cross-case examinations. Despite these differences, Stake (1995) prescribes a general format for the narrative to follow. His concept: (1) Open with a vignette so that the reader can develop a vicarious experience to get a time and place for the study; (2) Identify the issue, the purpose, and the method of the study; (3) Provide an extensive description of the case and its context; (4) List issues found so that the reader can understand the complexity of the case; (5) Probe the issues bringing-in confirmation and denial evidence; (6) Provide what is understood from the

case and if it challenges or confirms naturalistic generalizations or personal experiences;
 (7) Close by reminding the reader that this is one person’s encounter with a complex case.

In this post-merger culture change dissertation, the narrative approach is a case study description of each of the two mergers using Stake’s template. In addition, the experiences of each company was compared and contrasted to the other two and also compared with theories and the general literature on the topic. A template that this narrative follows is shown in Figure 8.

Potential Limitations of the Study

Guarded Information

For reasons of confidentiality (or embarrassment) many corporations guard their inner constructs – even the non-financial ones.

Figure 8. P. M. C. C. narrative template.

Vignette
Issue, purpose, method of the study
Extensive description of the case and its context
List issues to illustrate complexity
Probe the issues bringing-in confirmation or denial
Provide what is understood from the case. Describe contradictions to naturalistic generalizations.
Close

Officers and employees of some companies may not be willing to share their opinions and observations about the deep seated values of their company (with concern of reprisal). Conversely, there may be a tendency to boast of and inflate the description of their company culture to be something greater than it really is – or to denigrate the culture of the other company in the merger.

Retort to guarded information. To mitigate this potential limitation, a guarantee of anonymity was provided. Additionally, retired employees were sought who have less to protect than current employees.

Donna Lu Gough, in her case study of the Matsushita Electric Industrial Company (Gough, 2002) had a similar problem. Although she made several direct requests for interviews, the public information office at Matsushita never returned her phone calls or responded to her written requests. Being unable to conduct interviews she turned to secondary sources.

Sample Not Large Enough to be Conclusive

Critics may suggest that a two case study sample is too small to be conclusive and replicable for other merger considerations. Additionally, critics may question the choice of these two particular mergers as case studies.

Response to size of sample. This research is not intended to be prescriptive of how corporate culture in the transportation industry will always be affected by the merger of two competitors. Instead it is a device that will assist others contemplating a merger to draw learnings from. Nevertheless, the observations made from this study can be applied to other industries – especially in the transportation and service sectors.

“Backyarding”

This term refers to studying a site or people with which the researcher has a vested interest. Glesne and Peshkin (1992) question research that examines “...your own backyard – within your own institution or agency or among friends or colleagues” (p. 21). Qualitative research is often attractive because of the easy access to participants and information at minimal cost (Creswell, 1998). Nevertheless, according to Glesne and

Peshkin, the hazards include establishing expectations of data collection that may severely compromise the value of the data. Also, individuals may provide information that they think the researcher wants to hear. Since part of the post-merger culture change study is backyard work, it will be vital to remain objective and be cognizant and guard against the potential pitfalls. It is also felt that the negative effect of *Backyarding* will be mitigated by the conscious application of Stake's checklist for assessing a good case study report as shown previously in this chapter.

Researcher's Role

Privacy and Confidentiality

All participants are anonymous and confidential. The identity of all participants who are either actively employed or previously employed has been concealed.

Deception and Consent

Participation in this research was voluntary and participants were not deceived about the nature of the study.

Trust and Betrayal

Since qualitative research involves building a close relationship with the people being interviewed, consideration was given to the matter of trust.

IRB Approval

All University of Oklahoma Institutional Review Board requirements have been followed including the mandatory online training program and the annual retraining and retesting process.

Chapter Summary

This research took the form of two case studies that describe the intent, the consequences and the perceived effectiveness of the different post-merger culture change

approaches used in the subject mergers. To satisfy the criteria established by Rossman and Rallis, the research was conducted in the natural setting – in this case Omaha and Tulsa – and employed multiple methods of data collection.

The primary form of data collection was 20 personal one-on-one interviews with employees selected from a range of positions including executive, management, line and staff. The interviews were supplemented by researcher observations and by examination of public documents, books, journals, and trade periodicals associated with the mergers and culture changes.

A review of qualitative research literature provided consensus from a number of authors on the construct of the interview questions. All prescribed a small number of overarching questions that are open-ended and probing. These were followed-up by issue and topical sub-questions.

A sampling strategy was been developed that identifies the number, work position, and tenure of people who were interviewed. Qualifier questionnaires were utilized to establish the pool of candidates. As expected, initial participants recommended additional interview subjects.

Since validity and reliability carry different connotations in qualitative research than in quantitative studies, Stake's Checklist for Assessing a Good Case Study Report was used to validate the trustworthiness of the research design, as well as the credibility and fittingness of the findings.

Ethics, privacy, confidentiality, trust and betrayal have all been considered and were accounted for, as were all the relevant requirements of the University of Oklahoma Institutional Review Board.

CHAPTER FOUR

RESULTS

Special Note Regarding Confidentiality

Assurances were made to the interviewees of the following case studies that their identities would be concealed. For that reason, references in this chapter as shown as (DTG1) to (DTG12) and (UP1) to (UP11). These designators have been purposely rearranged and do not follow in sequence to the listing in Table 5.

Case One: Dollar Rent A Car and Thrifty Car Rental

Vignette

Two automobile rental companies that got their start seven years apart became fierce rivals for the same customer base across the United States. One company, Thrifty, was a franchisor granting licenses to operate in cities and airports nationwide. The other, Dollar, became a corporate operations based firm with a smaller number of licensees. By 1990, both companies had been acquired by the Chrysler Corporation and were headquartered in Tulsa, Oklahoma. Twelve years later the independent companies merged and began operations as a single company with two brands. Senior management anticipated merger problems due to a clash of the heritage company's individual corporate cultures and took steps to proactively design and manage the surviving company culture.

Issues, Purpose and Method of Study

In a transaction that was described as a merger of equals, these two companies with dramatically different cultures were joined. Senior management actively sought to design and develop a post-merger culture that represented the best of both companies

Table 7

Dollar and Thrifty Historical Milestones

Date	Milestone
1958	Thrifty Car Rental established and franchise model adopted
September 22, 1965	Dollar [a Day] Rent A Car founded
1985	Thrifty acquired by Chrysler Corporation
August, 1990	Dollar acquired by Chrysler Corporation
January, 1993	Dollar and General Rent A Car merge
December, 1997	Chrysler spins Dollar and Thrifty in \$461 million IPO forming Dollar Thrifty Automotive Group (DTG)
December, 2002	Dollar and Thrifty Merge. Operating now as a single company with two brands
October, 2003	Gary L. Paxton named DTG President and CEO
February 13, 2004	VET Culture Change Initiative Announced

before the merger. Attributes of the post-merger culture management process were learned through interviews with employees, managers and officers of both companies.

This information has been supplemented by personal observations and by examination of company records related to the culture change initiative. The case starts with a description of the culture at both companies based on interview using the Harrison and Stokes (1992) identifiers.

Description of the Case and Its Context

Dollar Rent A Car, a company with a *power* culture joined forces with a slightly smaller company Thrifty Car Rental, characterized as having a *support* orientation. These designations are based on descriptors identified by Harrison and Stokes in 1992 and established in group interviews of Dollar Thrifty subjects. Dollar's leader was only the company's second Chief Executive Officer since the company was founded in 1965. The direction of the company has been this person's vision for the last 16 years. His leadership is based on strength, justice, and paternalistic benevolence. Thrifty's culture could be defined as being based on mutual trust between the individual and the corporation. There were descriptions of organizational warmth and people centrality at Thrifty versus descriptors of goal achievement, waste reduction, and expanded spans of control at Dollar (DTG2, 4, 9, 12). After two years of intense post-merger culture change activities, the results are very satisfying. Traces of the two cultures still exist but the variations are considered inconsequential by senior management. Prior to the merger, Dollar was characterized as having a task oriented power culture and Thrifty as having a relationship culture. Both cultures worked well for the heritage companies and contributed to their success. Today, with corporate operations and headquarters support services of both companies combined, some elements of the task/power culture remain at field locations of both brands while the relationship/person/support culture is now strong

at the combined corporate headquarters (DTG4, 8). Change at headquarters was faster because the ex-Dollar employees eagerly accepted some of the people centricity that the Thrifty organization enjoyed (DTG5). Change at the field locations is slower for two reasons: (1) corporate field operations of both brands is heavily dominated by ex-Dollar managers and employees; (2) the corporate operations division of the company is driven by a very successful rewards-based sales and expense control culture (DTG1, 3). As such, the field employees – more than the headquarters employees – earn extra compensation by achieving targets, making sales, and controlling expenses. Nevertheless, icons and artifacts of the desired culture are evident at field locations and that group of employees is also enjoying the benefits of people centricity. As Kotter and Heskett revealed in 1992, even though visible behavior norms have been proclaimed and displayed, some shared cultural values are invisible and slower to change.

Dollar Rent A Car

Pre-merger, Dollar employees felt that their number one priority was to follow the boss' instructions and to get the job done. They were motivated by the prospect of incentives and the fear of punishment. A “good” employee obeyed the boss without question and relationships between departments at Dollar headquarters were somewhat indifferent (DTG12). At field locations, relationships between the quasi-autonomous profit centers were very competitive and are still so today (DTG2). The monthly Peer-Ranking Report of quantitative performance measurements was and is a prime motivator. At Dollar, pre-merger, it was vital for new employees to know political coalitions and where the money was made within the company. There is no question that headquarters is an expense and existed solely to support the field (DTG2). The dominant management

style in the field and at headquarters was authoritarian, characterized by *Type A* location managers who got their promotions by making the numbers, mimicking their boss' style, and maximizing productivity. Relationships between field managers and their staffs were important to the extent that hourly employees should be treated just well enough to be complacent and to not desire union representation (DTG5).

A senior executive described being aligned with the Dollar brand's mission of being the industry's low-cost producer as being at the core of his company before the merger. He described the company's focus as "Building profits through utilization. Dollar is a company with a strong process orientation but still open to experimentation. No lack of analysis" (DTG2) Long-term employees said that pre-merger Dollar allowed disagreement in individual situations, but overall provided little freedom to disagree. The mantra of productivity was that there's no comp time at Dollar. If someone got back from a business trip late in the evening they were still expected to be at the office early the next morning. Despite sounding like an impersonal company, Dollar employees were generally satisfied with their employment and felt that it was a good place to work (DTG5).

Another senior executive worked for both Dollar and Thrifty over the span of his car rental industry career. He said that the moment in Dollar's history that defined its corporate culture was in 1994 when the company was operating in the red and coming close to extinction. The employees of the company bonded in a turnaround project known as the Turning Point. Together they found and eliminated waste, reduced expenses, and identified new sources of revenue. They feel that they saved the company

and “...just like soldiers they never forget their war buddies” (DTG8). That bond and the focus on cost savings defined the company’s culture.

Thrifty Car Rental

Prior to the merger, Thrifty had very few corporate field operation locations. Most field locations were franchised and governed by licensee agreements. As such, Thrifty headquarters existed to provide marketing, fleet services, insurance and other support to the licensees (known internally as Team Owners). Not being an operating company, Thrifty headquarters employees felt that their most valuable activity was providing service, improving sales, encouraging franchise growth, cooperating with and attending to the needs of the licensees and their fellow employees (DTG4). Employees were referred to as being part of the family – as opposed to some Dollar employees who reported feeling more like they were treated as contract labor (DTG10). Thrifty employees respected and felt committed to other team members. A successful Thrifty employee typically provided superior service and got along well with everyone while still being interested in his or her own development (DTG8). Departments at Thrifty headquarters felt interlocked and interdependent and exhibited a high level of cooperation. More than at Dollar, Thrifty employees frequently socialized after work and on weekends.

A high level executive of Thrifty said that soul was at the core of his company prior to the merger. Recognition of purpose and elevation and reverence of the brand was paramount. Insiders knew that the Thrifty brand was glorified and made to look bigger than it really was. He said that they did this with “...tremendous conventions, first class television commercials, and classy signage” (DTG11). It was vital to have the Thrifty

employees take pride in their brand. The company's focus was growth and revenue. The atmosphere at headquarters was characterized as spontaneous. "Things could happen on a moment's notice – especially rewards and recognition" according to this senior executive. "It was an exciting place to work. You never knew what was going to happen next." "There was an element of fun. People would dress in goofy costumes. No reason to not have fun. We went to great efforts to do this," he continued.

Thrifty promoted dialogue and discourse. People were encouraged to disagree. It was an open environment. Trust, hard work, high ethics and morals were keystone guiding principles.

Which Culture Was Right?

According to the executives interviewed, they both were. Dollar's culture worked well for it and played a large part in the size and strength of the margin of this operating company. Similarly, Thrifty's culture was right for it, too, considering their primary function of being a franchisor and a provider of services to franchise owners.

The Plan For Change

Senior executives were aware of the cultural variations and saw the need for a post-merger culture change while the merger was still being put together. The eleven-member Executive Committee held a series of meetings starting on August 22, 2002, (with this researcher as facilitator) to address the pending culture clash. At the first meeting – which also served as a tutorial on corporate culture – a Dollar executive raised the question of "What do we do about the perception of Dollar swallowing-up Thrifty? Another executive replied that communication was going to be key. A top-level leader said that "Physical things can be done to demonstrate balance. Team leaders should go

out of their way to hold meetings in the other building. Everyone needs to get comfortable moving around each other's world." With these words the cultural change process was initiated. "The original Executive Committee was composed of six ex-Dollar executives and five ex-Thrifty executives. The original Chief Executive Officer of the new company, Joseph E. Cappy, was a person with no heritage at either the Dollar or Thrifty brands but rather with the holding company that originally oversaw the operations of both companies when they were individual units of the Chrysler Corporation.

Three initial steps were taken to facilitate and accelerate Dollar Thrifty's desired post-merger culture change. They were: (1) a new mission, core values, and guiding principles were conceived that represented the best of both heritage companies. Programs enabling these guiding principles were funded, implemented, and promoted; (2) an easily recognizable cultural icon was created and heavily promoted; (3) a company-wide group of cultural ambassadors was formed and trained to help promote the cultural initiative. According to company employees, each of these components contributed to the cultural initiative success.

Mission, core values, guiding principles. The foundation of the Dollar Thrifty post-merger culture change initiative was the declaration of a new mission, core values, and guiding principles that represented the best of the cultures of both heritage companies. The process used to define these spanned a few days behind closed doors and consisted of the facilitator asking the eleven-member Executive Committee to define the values and principles they felt best represented the pre-merger companies. Then, collectively, the team argued, bartered and finally agreed on which of these would be the desired values and principles of the new company. Some of this discussion tied back to

an environmental analysis of internal strengths and weaknesses and external opportunities and threats performed by the same group a week earlier. As part of this discussion, the team decided on a mission that would represent a sustainable competitive advantage and still be applicable to both external and internal customers.

Dollar Thrifty mission. The criteria for the company mission was that it would state what the company stood for and be the mantra any employee could turn to when faced with a cultural decision. It should be short, memorable, believable, and executable. The Dollar brand had a heritage of being a low-cost producer and followed the tenets of Michael Porter's theory of having a competitive cost advantage (Porter, 1985). Dollar had a history of cost containment at its field locations that was driven by an emphasis on fleet utilization, staff productivity requirements, lean workforce models, and hard-driven property and asset acquisition negotiations. The Executive Committee clearly felt that this was a strength that was sustainable and that should make its way into the mission statement.

The Thrifty brand had a heritage of providing memorable customer service to external and between internal customers (DTG1). The dogma at Thrifty was that customer retention and customer loyalty was supreme. Thrifty executives had a deep-seated belief that exceptional customer service would drive customer loyalty and thus profitability. It went further to include employee satisfaction and retention in the following way. Senior management at Thrifty felt that satisfied employees were more likely to stay with the company (DTG5). Because of their tenure, these skilled employees would provide good customer service that would drive customer retention. Satisfied customers would tell others about their experience and would have a likelihood

of considering Thrifty for a repeat transaction. Since repeat customers are relying on their previous experiences, there is not as great of a need for marketing activities to get them to return (DTG7).

Clearly, the Executive Committee wanted cost and service to be represented by the new company's mission statement. They agreed that customers make their buying decision based on two things: price and service (service includes convenience). By definition, *value* is the word that represents the point where price and service meet. To introduce the element of sustainability, the words *every time* were chosen. Senior leadership wanted to convey that the combination of price and service would be met with each and every transaction – despite that the car rental industry's pricing is very dynamic and fluid. The memorable mission statement that came out of this exercise was three simple words: Value Every Time.

A living, breathing cultural icon. The Executive Committee decided to create an icon that would portray the company mission and become a rallying point. They felt that the new company was tenacious in the marketplace but yet warm and friendly within the family (DTG11). The icon that was agreed upon that had both of these traits was an English bulldog. A search team found and purchased a living, photogenic, example of tenacity and warmth. The one-year old bulldog was named VET (the initials of Value Every Time) and became the company mascot. Today, VET appears on most internal documents including forms, paychecks, newsletters, recognition awards, Intranet screens, company casual wear and on banners and posters throughout headquarters and the field locations, VET has an “office” in one of the buildings on the Dollar Thrifty campus and can be reserved for departmental meetings and events by using Microsoft Outlook

meeting planner function. New employees have their photographs taken with VET, as do graduating classes from the company's leadership programs. Dollar Thrifty provides food and health care for VET and he goes home each night with a designated employee-keeper.

Core values. As was the case with the mission statement, the Executive Committee chose to identify core values that were representative of the best of both predecessor companies. The four core values were presented to the employee population as the cornerstones of the new company's success. The employees were told that all four values will be present in everything the company does – albeit not always equally. The Dollar Thrifty core values as shown on the employee wallet cards are: (1) *People. Our employees are the key to our success. We will be a people-centric company.* (2) *Customers. Our passion is consistent service delivery to our customers.* (3) *Continuous Improvement. In everything we do, we will never be satisfied with the status quo and we will always be willing to change.* (4) *Results. We are results-driven.* The balance between the Dollar and the Thrifty predecessor cultures is shown in the above. Thrifty executives influenced inclusion of the *People* and the *Customer* core values while Dollar's executives drove for the *Results* and *Continuous Improvement* values.

At first the Dollar Thrifty employees felt that being “people centric” and being “results” driven were in conflict. At corporate headquarters the ex-Dollar employees very quickly adopted the ex-Thrifty core value of being people centric (DTG4). They enjoyed the additional social events, recognition, personal benefits, training and development. The company hired a wellness coordinator and a recognition administrator. A new fitness center was built and numerous rewards and recognition programs were

conceived and implemented. It took the ex-Thrifty employees a little longer to appreciate the value of being results driven.

Cultural ambassadors. In any change endeavor, the employees who really get-it stand out from the rest. Cartwright and Cooper (1996) referred to these people as *cultural informants*. Dollar Thrifty identified who those people were at headquarters and in the field and got them involved as apostles of the new culture. These people were declared to be Field or Headquarters Cultural Ambassadors – a job that they performed in addition to their regular work. They received training on how to portray the core values and guiding principles. Originally, a balance between Dollar and Thrifty employees was sought. However, as time went on that became moot. The Ambassador's function was to be role models of the culture that other employees could turn to for guidance and help whenever there was a potential cultural conflict. The Ambassadors were trained in what types of instances would require HR Employee Relations intervention and what types they were free to get involved with. Additionally, the Ambassadors would arrange ceremonies and participate in recognition celebration.

It was reasoned that if the Ambassadors were such a success that additional apostles should be identified forming a network of Dollar Thrifty cultural advocates in every department at headquarters and every profit-center city in the field (DTG11). At this writing there are 176 Cultural Ambassadors in the organization (1 for each 45 employees).

Ambassadors serve a life sentence. Once an Ambassador, a person is an Ambassador for the rest of their career. In reality, an Ambassador becomes an alumnus

after two years and continues to receive correspondence and meeting summaries for the balance of their employment.

A perceived miss-step. When the new Dollar Thrifty Automotive Group structure was introduced on December 3, 2002, Joseph E. Cappy, CEO, announced that the company would be lead by Co-Presidents. These men were Gary L. Paxton, ex-head of Dollar and Don Himelfarb, ex-head of Thrifty. Although it wasn't discussed with the rank and file, it was anticipated that the joint leadership would have several benefits including the cross pollination of values, a symbol of unity for the employees of both heritage companies, and an opportunity for Cappy to further evaluate who his successor should be when he retires.

Within a year, Cappy did retire and announced that Paxton would be his replacement. Himelfarb became Chief Administrative and Cultural Officer.

The consensus among Dollar Thrifty headquarters employees was that if the intent of having co-presidents was to accelerate the cultural initiative it failed. The employees read what was meant to display unity between the companies as a competition among presidents. When Paxton got the position his supporters rallied while Himelfarb's felt defeated. What may have been intended as an accelerant turned out to simply delay the start of the culture change process. Don Himelfarb became the number two executive in the company with the title of Chief Administrative Officer.

Other culture change elements. Himelfarb was one of the architects and a believer in the new culture and had enough organizational stature that all employees paid attention to him and heeded his directions. He surrounded himself with highly effective people from Training, HR, Communications, and Operations and formed a steering committee

known as the Kennel Club (with obvious reference to VET, the living bulldog icon). The Kennel Club installed a high volume of cultural artifacts, communications pieces and programs as shown in Figure 9. In the first year, the company spent \$360,000 on cultural artifacts (just under \$50 per employee). Everything was branded with VET’s picture, his paw print or the words Value Every Time. The size, page count, and frequency of the company newsletter were increased. Special editions were published to celebrate tenure awards or customer service excellence awards.

The Training Department designed and developed management training called Leadership Week – which to date has been presented over thirty times to capacity

Figure 9. Programs introduced at Dollar Thrifty to assist with culture change.

People Centric	Customer Satisfaction
<ul style="list-style-type: none"> • Leadership Week training (30 classes in two years). • Development programs tied to Emotional Intelligence training. • Hired a Recognition and Rewards Coordinator. • Numerous ongoing recognition programs and tools. • Hired a Wellness Coordinator. • Quarterly “fun” events. • Expansion of Cultural Ambassadors (number and roles). • Annual Employee Opinion Surveys administered by an outside vendor. • Employee stock purchase plan. • Creation of a Future Executives Development Program. • Expanded size and page count of the monthly employee newsletter. 	<ul style="list-style-type: none"> • Creation of the Office of Customer Advocacy. • VETline and VET emails to report cultural issues. • Linkage of Customer Satisfaction results to bonus plans.
Continuous Improvement	Results
<ul style="list-style-type: none"> • Expansion of the Business Process Redesign Department, • VET Tips employee suggestion competition. 	<ul style="list-style-type: none"> • Continuation of the Profit sharing program. • Creation of the Office of Strategy Management.

audiences from the Field and Headquarters. A waiting list still exists for attendance (DTG12). Additionally, the company enlisted the services of a noted consultant to present emotional intelligence (EQ) training as part of Leadership Week. This daylong segment is considered the pinnacle of the developmental program (although all of the other classes receive consistently high evaluations). In the EQ program the Dollar Thrifty leaders receive help in improving their intrapersonal, interpersonal, stress management, and environmental skills.

Emotional intelligence became the common theme for many other developmental programs ranging from EQ-360 assessments to officer coaching and career counseling.

To support the Guiding Principle of recognizing achievement and celebrating success, the company hired a person to be their coordinator of recognition programs. This person designs and delivers company-wide recognition programs to headquarters and field employees. These include Employees of the Month, *Unleashed Service*, *Mile Marker* and other programs. Her role includes training everyone to spot recognizable activities and offer spontaneous rewards. To assist with this, the company provided Kudos Kits to every department and field office filled with logo items to use for spontaneous awards. The contents of the Kudos Kits range in value from \$125 to \$275 based on the population of the department. One free refill per year is provided as an incentive to use the Kit and not let it sit idle in the manager's office. Additional refills are available at cost. The recognition program became such a success that it was necessary to hire an administrative support person for the recognition coordinator (DTG3).

Complexity of Issues

Although it seems like a potpourri of activities, the Dollar Thrifty post-merger culture change initiative actually follows many of the rites identified by Trice and Beyer in 1985 and shown in Table 8.

Table 8

Trice and Beyer Organizational Rites at Dollar Thrifty

Organizational Rite	Dollar Thrifty Application
Rite of Passage	Every new employee receives a comprehensive new hire orientation that is built around the company's cultural theme (DTG6). The cultural orientation for headquarters employees is a four-hour event.
Rites of Degradation	Cultural laggards were coached and mentored. When performance did not meet cultural standards a few people were dismissed. "We will carry the wounded but shoot the resisters" (Gary Paxton, personal communication).
Rites of Enhancement	Rewards and recognition have become an integral part of the Dollar Thrifty culture, as discussed above. Similarly, wellness has become a theme driven by the company's wellness coordinator.
Rites of Renewal	Organizational development activities

	included culture training, more skills training, accessible on-line learning, Leadership Week, Emotional Intelligence training.
Rites of Conflict Resolution	The Human Resources Employee Relations group grew from a staff of four to a staff of ten in three years (DTG5).
Rites of Integration	Regularly scheduled events are put on for headquarters and the field by Corporate Communications. These include theme days like the <i>Dog Days of Summer</i> , ice cream days, and more. In 2005, the employees supported an initiative to put the budget for all Holiday Parties into a fund that supported employee victims of Hurricane Katrina.

To many within the organization, the success of the Dollar Thrifty culture change is due to a combination of continuity, persistence, and employing a range of techniques with a common objective.

Confirmation or Denial of Success

An outside consultant who works with Dollar Thrifty employees said that some employees feel that the core value of being people-centric is at best aspirational. Others disagree citing numerous programs, benefits and employee events (DTG2, 3, 10). Using the definitions cited earlier, these perceptions may describe organizational climate more than corporate culture.

Most sources in the review of the literature indicate that change comes slowly taking time to permeate the organization. At Dollar Thrifty, the change came faster than many expected due to two contributing factors: (1) it was guided by a high-ranking executive and driven by popular programs; and (2) there was a systematic approach towards installing a culture that replicated the best from both predecessor companies.

The success of the Dollar Thrifty culture change is best illustrated by this from PriceWaterhouseCoopers Feldman and Spratt. “Culture change is rooted in behavior change, reinforced by role models, stimulated by incentives, and supported by sensibly aligned policies” (Feldman & Spratt, 1999, p. 167).

Challenges

As of September 8, 2006, 62% of the Dollar Thrifty workforce has a hire date after January 1, 2003, the date of the merger. These employees do not have a heritage company to compare today’s culture to and they often wonder what the fuss is about regarding combining cultures. The cultural challenge, today, has less to do with change and more to do with maintenance.

Additionally, three cost control programs were recently announced that could affect the attitudes of the employee population. One was the outsourcing of 300 information technology jobs to a third-part firm. The other is the declaration of all company property to be a non-smoking zone, and the third is the introduction of an third-party audit to determine eligibility of group insurance dependents.

The outsourcing program initially raised questions of the company’s people centricity. Executive management spent hours delivering the message that the program was necessary to ensure fitness of the company and the ability to address the needs of the

larger body of employees. Their efforts appear to be effective. Although the smokers are a loud population, they are a small one. As expected, the October 1st ban on tobacco use anywhere on company property was not a cultural event (DTG7). To show its commitment to people, Dollar Thrifty is offering smoking cessation assistance to the 25% of the workforce who still smoke. This initiative and the dependent eligibility initiative are expected to save the company millions of dollars in health care costs.

Case Two:

Common Control and Merger of the Southern Pacific Rail Corporation by the Union Pacific Corporation

Historical Perspective

One hundred and twenty-seven years after their lines were linked as the basis of the first transcontinental railroad across America, two companies were merged forming the country's largest railroad. The 1996 acquisition of control of the Southern Pacific by the Union Pacific was actually their second merger attempt. The first, in 1901 was dissolved twelve years later when the U. S. Supreme Court declared the Union Pacific control of the Southern Pacific to be an illegal restraint of trade. During this reverse-merger process, "...the rivalry and distrust between the old Southern Pacific and Union Pacific managements bore its bitterest fruit" (Orsi, 2005, p. 38). By the early 1980's, the Southern Pacific had experienced several decades of falling traffic revenues, problematic investments in non-rail businesses, and disposal of assets to raise cash. Finally, on September 11, 1996, the Southern Pacific lost its identity to the Union Pacific in a \$3.9 billion stock-swap merger.

Table 9

Historical Milestones Leading to the Union Pacific Acquisition of the Southern Pacific

Date	Milestone
1862 and 1864	President Lincoln signed the Pacific Railroad Acts of 1862 and 1864 directing the Union Pacific and the Central Pacific to construct a transcontinental railroad.
1863	Central Pacific started building track eastward from Sacramento. Union Pacific breaks ground in Omaha (although legislation specified Council Bluffs). Project delayed due to funding issues.
1865	The first Union Pacific rail is laid in Omaha.
May 10, 1869	Central Pacific and Union Pacific tracks meet at Promontory Summit, Utah. Golden spike ceremony signified the joining of the nation by rail.
1870	Denver & Rio Grande Western Railroad is chartered by the people of Denver to express dissatisfaction with the Union Pacific leaving them off the main line and also to challenge the growth of the Santa Fe into their territory.
1884	Southern Pacific Railroad formed. Central Pacific brought under the SP umbrella.
1893	Union Pacific falls into bankruptcy.
1897	Union Pacific is sold to a group of investors for \$110 million.

1901	First UP-SP merger. Union Pacific purchases 38% of Southern Pacific stock and assumes control of the railroad.
1913	Union Pacific is ordered by the Supreme Court to sell its current 46% share of Southern Pacific and relinquish control.
1969	The Union Pacific Corporation is established as a holding company. The Union Pacific Railroad is one of its operating companies.
1982	The Interstate Commerce Commission approved the merger of the Union Pacific, Western Pacific and Missouri Pacific.
1988	Union Pacific acquires the Missouri-Kansas-Texas Railroad.
1988	Rio Grande Industries acquires the Southern Pacific Railroad. The Denver and Rio Grande Western Railroad and Southern Pacific are merged, retaining the Southern Pacific name.
1995	The Union Pacific acquires the Chicago and North Western Railroad.
August 3, 1995	Agreement reached for the acquisition of the Southern Pacific by the Union Pacific with a \$3.9 billion stock-swap plan.

August 6, 1996 The United States Surface Transportation Board
approves the common control and merger of the two rail
carriers controlled by the Union Pacific Corporation and
the Southern Pacific Rail Corporation. Decision number
44, Finance Docket number 32760.

September 11, Effective date of the Union Pacific – Southern Pacific
1996 merger.

Note. From Ambrose (2000), Athearn (1971), Kenefick (1985), Orsi (2005), Stover (1997), Union Pacific Museum,

Similarities and Differences between the Two Railroads

Similarities

Both the Union Pacific and Southern Pacific Railroads are companies that played significant roles in the development of the western United States. When the two railroads met in Promontory, Utah, forming the first transcontinental railroad, they collectively affected land settlement, industrial development, and agriculture throughout the west.

At the time of the merger both companies were engaged in moving freight (not passengers) and competed aggressively for the same customers in several markets, notably Houston, New Orleans, Los Angeles, Oakland, and Salt Lake City.

Differences

The Southern Pacific had a unique history and character. Their main competitor, the Union Pacific, also had a unique persona and history. The Union Pacific and Southern Pacific relationship with each other 140 years ago when they formed the first transcontinental railroad was less than harmonious and displayed different business

styles, modes of operation, and senses of purpose. For example, the federal government granted the railroads 6,400 acres of land and a 30-year loan of government bonds (valued at \$16,000, \$32,000 and \$48,000 based on the difficulty of the terrain) for each mile they developed of the transcontinental route. The Southern Pacific and the Union Pacific had different philosophies regarding the administration of that land. The Southern Pacific preferred to subdivide and sell their grants to small-scale farmers, miners and loggers to encourage long-term settlement, economic growth and rail traffic. The Union Pacific preferred to hold onto the land itself and extract, process, use or sell the resources. The Southern Pacific position was based on future growth; the Union Pacific's was based on harvesting the available resources.

The Southern Pacific had a tradition of community because its corporate interest could be construed as public welfare. Dissimilarly, the Union Pacific has always considered itself to be an astute business organization with strong attitudes towards stakeholder return.

Additionally, at the time of the merger, the Union Pacific and Southern Pacific had different operating practices. The Union Pacific was “... a well-capitalized, long-haul, high-density railroad that takes big trains out of Chicago ... and hauls them long distances to the West Coast and breaks them up” (Hoffman, 1998, Online). The Southern Pacific, conversely, did a lot of terminal operations, industrial switching, and short-haul work.

Southern Pacific Culture before the Merger

In 1996 the Southern Pacific was a railroad with strong tendencies associated with an *achievement* (Harrison & Stokes, 1992) type of culture. Organizations displaying this culture are characterized as having employees who feel they are empowered to find a

better way of doing things, have a strong commitment towards getting the job done, and are self-motivated and competent. Ex-Southern Pacific employees reported that this described the attitudes and values of their company prior to the merger (UP2, UP11). At their heritage company, the employees closest to the action often made field decisions. The perception was that Southern Pacific management respected the field operations crews and valued their experience and job savvy (UP1, UP9). One employee (UP9) said that when he was hired in 1979, switchmen were using their skills to do the work fast yet still having control of their own pace. The values that Southern Pacific employees experienced in their work often facilitated personal advantage. By using their initiative and creativity, Southern Pacific employees were sometimes able to do their work in less than the allotted time while being paid for working a full shift (UP10). This translates to having a sense of control over their work processes that was facilitated by a sense of empowerment.

Because of the often-remote assignments, railroad employees have to supervise themselves. Southern Pacific employees had a strong tendency to do what was needed without direction from above (UP3). Some Southern Pacific employees said that to get the job done, their crews often would be encouraged to devise work-arounds (UP1). In most cases management knew that if the crews were left to their own devices the work would get accomplished because there was a sense of mission – to move the freight (UP1). Employees who did not share the Southern Pacific's basic values (and the mores of the terminal they worked out of) were made to feel uncomfortable and usually left (UP10).

Union Pacific Culture Before the Merger

According to field operating sources as well as senior Union Pacific management, the culture of the railroad in 1996 was previously defined by the 1982 acquisition of the Missouri Pacific (UP7). This merger was nicknamed the “Mop-Up” (Kaufman, 1995, p. 205) using both railroad initials to signify that it was mopping up all the available routes and business in that territory. On September 13, 1982, when the Interstate Commerce Commission approved the merger of the Union Pacific and Missouri Pacific, the Union Pacific was the nation’s ninth largest railroad and the Missouri Pacific was the sixth largest. The original plan was for both companies to remain autonomous, though coordinated, while maintaining the heritage company names (Miner, 1983). Shortly after receiving government approval, however, a plan to use common officers for both companies was put into place. Younger Missouri Pacific officers prevailed and eventually became the dominant power at the Union Pacific with the retirement of older Union Pacific officers.

Union Pacific Culture from the Perspective of Southern Pacific Employees

According to interviewed sources, the Missouri Pacific had a culture characterized by management by intimidation and confrontational relationships with the rank and file (UP2, UP9, UP10). One Union Pacific employee compared it to the old southern mentality of owners versus workers . A high-ranking manager said the leadership group was known as the “MoPac Mafia” (UP7). Consistent with this, when the Union Pacific acquired the Southern Pacific, the employees experienced a clash between patterns of beliefs, values, and sentiments that were reflective of the Missouri Pacific *power* oriented culture (Harrison & Stokes, 1992) from fourteen years earlier.

This was difficult for the Southern Pacific employees because the *power* culture is based on inequality of access to resources. “A resource can be anything one person controls that another person wants” (Harrison & Stokes, 1992, p. 14). Cameron and Quinn (1999) refer to this as a hierarchy culture where the work is very formalized and structured and procedures govern what people do. In this type of organization, formal rules and policies provide the predictability that management requires. At its worst extreme, *power* type culture tends toward a rule by fear – which is how Southern Pacific operating employees interpreted the new culture they were faced with after the September 11, 1996, merger (UP2, UP3).

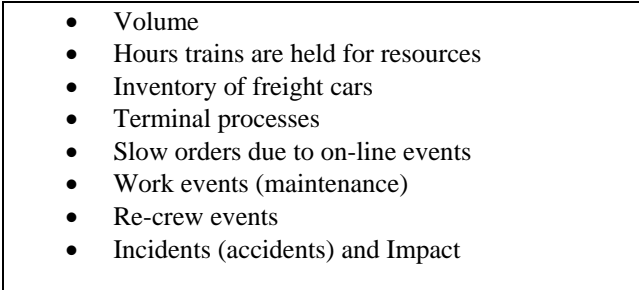
How the Union Pacific perceived its own Culture

The Union Pacific Railroad, at the time of the Southern Pacific Railroad merger could be described as having a *role* oriented culture (Harrison & Stokes, 1992). This culture continues to exist today. Organizations with a *role* culture rely on a system of structures and procedures to give stability to the company and protection to the employees. “...the job can still punish the unlucky or momentarily careless with amputation and death...” (Goepel, 2005, p.26). Some similarities exist between *role* and *power* cultures, such as a clear definition of employee duties and limits to empowerment and discretionary authority. Absolute adherence is expected. Some of these come from the collective bargaining agreements the Union Pacific has with fourteen different unions. Others come from published company rules, policies and procedures. For example, one of the first documents distributed to new Union Pacific employees after the merger was a booklet on discipline called *Upgrade Policy*. The initials appear to be intentional. This document, rather than extend a welcome to the Union Pacific family, listed various rule

infractions, the level of severity, and the discipline that could be expected following a violation. Rule violations resulted in demerits that accumulated and lead to termination of employment (UP10, UP11).

The *role-oriented* culture is well suited for large organizations, like the Union Pacific, that have a wide dispersion of employees who are not directly supervised. In 2005, the Union Pacific moved 9.5 million revenue carloads of freight within its 33,000-mile system. The crews of the trains moving this freight across the 23 state service area are not directly supervised but are, rather, dispatched from a central dispatch center in Omaha, Nebraska. Electronic devices including global positioning equipment and the railroad equivalent of airline “black boxes” monitor performance and conformance to the rules (UP5). According to Jim Young, President and Chief Executive Officer, safety of the crews and the public is the Union Pacific’s number one priority (personal conversation). The number two priority follows closely and is called *velocity*, a contemporary railroad term which is a composite index of several key metrics.

Figure 10. Union Pacific Velocity Index Components.

- 
- Volume
 - Hours trains are held for resources
 - Inventory of freight cars
 - Terminal processes
 - Slow orders due to on-line events
 - Work events (maintenance)
 - Re-crew events
 - Incidents (accidents) and Impact

From a leadership perspective, the *role-oriented* culture provides stability, justice and efficient performance. From the standpoint of the affected employee at any company, the *role-oriented* culture, however, can be construed as intolerant,

disempowering, confrontational, intimidating, stifling, arrogant and a morale killer. One Union Pacific engineer (UP1) defined his company as having less to do with satisfying customers and moving freight and more to do with following rules and being safe. An ex-Southern Pacific conductor said that a simple setout move (leaving freight cars at a shipper) that used to take an hour now takes two hours because of the procedural and safety requirements (UP9). Mechanical failures, track problems, grade crossing incidents and other accidents cause delays, damage or death. According to one senior Union Pacific executive (UP5), there is no such thing as a minor incident when the railroad is running at capacity. If a locomotive breaks down anywhere on the system it delays 12 – 14 other trains within an hour. For that reason, devices are built into newer locomotives that notify the dispatch center by telemetry of changes in oil pressure or other potential causes of motor shutdown. Additionally, personnel are on duty 24/7 in major cities and by radio to assist road crews with the diagnosis and restarting of today's complex locomotives. According to employees at all levels of the organization, the attitude of the senior management at the Union Pacific is that every accident can be prevented. Today, it is acknowledged that every incident is counted – even a paper cut by an office employee (UP6).

Description of the Case and Its Context

The post-merger culture change approach taken by Union Pacific leadership when it assumed control of the Southern Pacific can be described as passive compared to Dollar Thrifty's approach that actively sought to identify and adopt the best practices of each heritage company. In the process of assimilating the Southern Pacific workforce, the Union Pacific either chose to discount or were not aware of the S. P. *achievement-*

oriented attitudes and beliefs. Rather than accept and adopt Southern Pacific operating practices, the Union Pacific offered S. P. middle managers and other employees' separation packages (UP2). *Slate*, the online news magazine reported that this left Union Pacific people running unfamiliar Southern Pacific lines and equipment. "This of course sounds like a dumb thing to do, but it is a fast if brutal way of dealing with different corporate cultures" (Surowiecki, 1997, online). As parcel of this, all remaining employees were immediately bound by the operating rules and regulations of the new parent company. One ex-manager interviewed for this case said that the tragedy is that there are a lot of very good, capable and sincere people in the company that are hamstrung by oppressive administrative requirements (UP3).

The Union Pacific's Approach Toward Post-Merger Culture Change

The weakness of the *role* culture is its impersonality. Employees who came to the Union Pacific from the Southern Pacific following the 1996 merger reported feeling this characteristic more than any other (UP3, UP10). Depending on who is discussing it, perceptions abound in the Southern Pacific/Union Pacific culture clash. For example, a Union Pacific official said that his railroad was cooperative because it made accommodations for the Southern Pacific employees and their engineer's union contract (UP5). From the other side, the Southern Pacific called the Union Pacific leadership stubborn and unwilling to listen to the senior employees (UP2). One employee said that it took more than a year to iron-out contract issues. Regardless of heritage, employees of both companies reported having huge amounts of pride. "The Southern Pacific people were accustomed to making do with very little. The Union Pacific people were accustomed to having whatever they needed, on the double" (Saunders, 2003, p. 319).

The Union Pacific people were also very process-oriented, rules driven and safety-conscious. Kurt Hoffman (1998), in the online *SupplyChainBrain.com*, said that “The UP didn’t take advantage of the talent and knowledge at the SP” (Hoffman, 1998, online).

An unhealthy culture. Using the conclusions drawn as a result of research by Kotter and Heskett in 1992, the Union Pacific displayed the characteristics of an organization with an unhealthy culture. Union Pacific leadership was described in the press and by shippers as arrogant (UP8). “The big thing about Union Pacific is that they’re arrogant” (Freeman, 2004, p. 69). To these customers, especially in Houston and along the Chemical Coast, the Union Pacific portrayed a company that acted as if it did not highly value their business (employees said that it probably did but the congestion sent a different message). To the Ex-Southern Pacific employees, the Union Pacific attitude towards employees came across as hostile (UP1, UP9). Two ex-Southern Pacific field employees said that pay items that were covered by contract were frequently disregarded forcing the filing of grievances (UP9, UP10). To them, the company behaved in a centralized bureaucratic way. One employee said that following the merger Union Pacific leadership never even came to their terminal to introduce themselves or meet the employees. “It was like something out of a wartime movie. You would come to work one day and there would be leaflets and rule books scattered around like they were dropped from a plane overnight. No explanation. No personal contact” (UP10). The challenge facing the Union Pacific was to develop a culture that would allow its specific practices and procedures to be implemented without undermining economic performance (UP4).

A year prior to the Southern Pacific merger, the Union Pacific had a meltdown experience following its purchase of the Chicago and North Western. With this merger, the Union Pacific reduced employment, cut costs and changed operating practices. The result was traffic snarl and very angry customers. It was only months after the Chicago and North Western problems that the Union Pacific reached an agreement to acquire the Southern Pacific. Playing a leading role in directing this was U. S. Vice President Dick Cheney who at the time was a Union Pacific director (Freeman, 2004).

At a public conference in July 2006, this researcher asked a Union Pacific officer if the company was able to identify and adopt any best practices from the railroads it merged with. He said that most employees in his company had a tendency to want to impose *their* [my emphasis] practices on the railroads they acquired. His division, however, made a concerted effort to seek best practices and did find some imitable practices with the Missouri Pacific, Western Pacific and Southern Pacific mergers mostly as it affected track engineering.

Ever since the 1982 Missouri Pacific merger, the Union Pacific chose to establish its culture as the standard for its partners to acquire (UP3, UP8). Other than the accommodations that were made to incorporate the union contracts of the acquired employee groups there were no reported attempts to acknowledge the Southern Pacific culture and no interest in changing the Union Pacific *role* culture to be more like the Southern Pacific *achievement* orientation.

Therefore, the post-merger culture change in the Union Pacific case study, simply consisted of activities intended to assimilate the attitudes, values, beliefs, behaviors and interactions of the Ex-Southern Pacific employees.

The Steps Taken by the Union Pacific

The Union Pacific post-merger culture change has similarities to the Pritchett & Pound cultural change model discussed in Chapter Two. For example, those researchers suggest that for the 30% of the employees who will be anti-change that “You will be better off getting rid of them” (Pritchett & Pound, 2003, p. 22). Former Southern Pacific middle management claim that they were constantly reminded in subtle and unsubtle ways that they ran a bad railroad. The Union Pacific announced its intention to lay off close to 3,000 workers and transfer more than 2,000 others (Saunders, 2003). The layoffs and transfers began immediately. A number of Southern Pacific middle managers took advantage of separation packages. As was stated, these employees were the ones who knew the most about making the fragile Southern Pacific physical plant around the Houston area perform. In short order, these Southern Pacific middle managers felt unwelcome and also left the company. “... [by] replacing SP people with UP people in key jobs in Houston, it imposed Union Pacific’s methods on Southern Pacific’s fickle terminal” (Frailey, 1998, p. 33). In a spirit befitting an *achievement* orientation, Southern Pacific’s few remaining operating managers tried to tell the Union Pacific what would and would not work on their track around Houston. The Union Pacific team, however, had plans of its own. The Union Pacific attitude was that they had the resources and the talent and could do what they wanted since they owned the company. Southern Pacific employees had their pride and left the company when the opportunity to take a separation package was presented (Frailey, 1998).

Some Southern Pacific employees with union contracts were assimilated into the Union Pacific with various seniority schemes (UP9, UP10). Once there, the road crews

found conditions very different from what they were accustomed to. From the perspective of the Union Pacific, the new employees were simply required to follow the same rules and procedures as the existing employees (UP11). In the minds of the Southern Pacific crews, they had suffered a loss of empowerment, their skills were not respected and their expertise was dismissed (UP2). One employee said that the Union Pacific treated train engineers as glorified truck drivers. In his words, “ ... if the Southern Pacific practiced it the Union Pacific would not associate itself with it” (UP9). Linda Grant Niemann, an Ex-Southern Pacific brakeman gave an example of Union Pacific employee attitudes. She said “Ever ride in a [shuttle vehicle] with a UP crew? Those guys are afraid to talk. Afraid somebody might turn ‘em in (Niemann, 2006, p. 42).

Complexity of Issues

Adding to the cultural effect of the merger is the effect of geography. Most Southern Pacific operating employees continued to live and work in the territory of their heritage railroad – remote from Union Pacific leadership – adding complexity to the acceptance and adoption of group behavior norms. Since acceptance of these common ways of acting have to come first (Kotter & Heskett, 1992) the adoption of any shared values that shape group behavior is delayed.

The Southern Pacific employees, however, saw the post-merger culture change attempt as the Union Pacific micro-managing their every move and “...dumbing down [their] craft” (Niemann. 2006. p.46). From a general management perspective, enforcing compliance to the rules and directing the activities of employees certainly is a desirable trait. In this instance, though, it ignited the firestorm that resulted in the railroad

meltdown discussed previously. Kaufman wrote that the Union Pacific rail system "... suffered a service crisis of greater magnitude than anything seen in the U. S. rail industry since the World War I congestion." (Kaufman, 2005, p. 318). The Union Pacific system ground to a halt, causing accidents that cost lives, disrupting interstate commerce and costing the economy \$2 billion. The Surface Transportation Board (successor to the Interstate Commerce Commission) attributed the meltdown to Union Pacific's arrogance. "Portending a difficult integration, UP management ordered rapid integration of the two lines..." (Bruner, 2005, p. 199). Seemingly, the Union Pacific failed to recognize the difference in values, failed to accommodate the diversity of cultures, and tried to force their standards on a population of employees that were unprepared and unwilling to change.

The Pritchett and Pound Cultural Change Model has many components that resemble the Union Pacific approach. For example, (1) The Union Pacific did not spend time with cultural analysis. They focused on the future and put all of their energy into quickly making the acquisition and running the new system with practices and procedures that had been successful for them before the merger. The Ranking Democrat Member of the House Transportation and Infrastructure Committee argued that the merger of the two railroads created a monopoly in markets that accounted for revenues of \$800 million to \$1.5 billion each year. The Justice Department estimated that shippers could expect a 10 percent price increase in those markets due to the reduction of competition (Oberstar, 1996). (2) Rather than encouraging innovation the Union Pacific established strict guidelines and reminded everyone of the penalties for straying from the rules (UP10). This change was promoted relentlessly. (3) The Union Pacific built its power base by

giving their best people the big jobs (UP3). These were people who knew the Union Pacific way of doing things, who exemplified the Union Pacific attitudes, and who were the most loyal to the company.

In a speech to the Newcomen Society in 2002, Dick Davidson, the Union Pacific Chief Executive Officer at the time, said

“The difficulties of 1997 and ’98 amounted to the biggest service challenge in our history – an 18-month period when we failed our customers, our shareholders and ourselves. None of us saw it coming until it was too late. None of us had the answers to end it quickly” (Davidson, 2002, online).

Chapter Summary

The Dollar Thrifty Automotive Group and the Union Pacific Railroad took diverse approaches towards the management of their post-merger corporate culture. The culture change initiative that followed the merger of Dollar Rent A Car and Thrifty Car Rental was based on a transformation model that involved the identification and adoption of best practices from both predecessor companies. The Union Pacific approach differed by being an assimilation model where the dominant Union Pacific culture prevailed by design forcing the Southern Pacific employees to adapt and align with their new parent company.

The years following the Dollar Thrifty merger were harmonious. At the Union Pacific, however, the railroad suffered a meltdown of major proportions due to post-merger changes in procedures from how the Southern Pacific operated to the Union Pacific model.

Using the Harrison and Stokes (1992) identifiers, Dollar Rent A Car had a *power* culture orientation prior to the merger. This culture was characterized by a history of goals achievement, waste reduction and expanded spans of control. Their competitor, Thrifty Car Rental had a *support* culture based on mutual trust between the individual and the corporation. The effect of the combination of Dollar's task style culture with Thrifty's relationship style culture concerned senior management enough to take steps to reduce the likelihood of a damaging clash. The culture change initiative had three successful components. (1) A new mission, core values, and guiding principles were conceived that represented the best of both heritage cultures. Programs enabling the guiding principles were created, funded, and implemented; (2) an easily recognizable cultural icon was created and heavily promoted. The icon, a live bulldog, was named VET which are the initials of the company's mission: Value Every Time; (3) A company-wide pool of cultural ambassadors was formed and trained to spread the word and act as role models of the new culture.

The Union Pacific and Southern Pacific railroads have a long history of competition and rivalry. The business styles, modes of operation, sense of purpose and financial strength have differed between the companies from the beginning and shaped the cultures of both organizations.

Using the Harrison and Stokes identifiers, the Southern Pacific was a railroad with a strong *achievement* type of culture. Employees characterized the company as permitting self-motivation, field-level decision-making, and allowing a level innovation and discretion to get the job done. Interviewed sources defined the Union Pacific, at the time of the 1996 merger, as a company that managed by intimidation that suffered from

confrontational relationships with the rank and file. The railroad could be defined as having a *role* type culture that relies on a system of rules, structures and procedures to provide stability to the company and protection to the employees. The Southern Pacific employees interpreted this as ruling by fear.

The Southern Pacific and Union Pacific cultures did not mesh well. Southern Pacific employees who knew how to make their frail and undercapitalized rail system work were discounted by Union Pacific management who felt that they could run the acquired railroad the same way they ran all their other lines. Many Southern Pacific middle management and other key employees accepted buy-out packages or required relocations. The result was a meltdown of operations that started in Houston and eventually delayed rail traffic across America. Interstate commerce was affected, shippers lost millions of dollars in perishable cargo, the cost to the economy was about two billion dollars, and exhausted employees had accidents and made errors.

The Union Pacific approach to post-merger culture change consisted primarily of enforcing the Southern Pacific's adoption of their *role* type culture. The Union Pacific case study portrays a company that fits the Kotter and Heskett (1992) description of having an unhealthy culture. The case illustrates similarities between actual events and what was discussed in Chapter Two as the Pritchett and Pound (2003) model.

Epilogue New Challenges Facing the Union Pacific

The meltdown of 1997 is finally behind them. However, the potential for another one looms – this time caused by different factors: staff shortages and capacity constraints. At a presentation in July 2006, CEO Jim Young said that the railroad is trying to temporarily contain demand by raising prices. Because of attrition and retirements, the

railroad hired 20,000 employees in the last five years. He told this researcher that the Union Pacific has to hire and train 5,000 more employees in the next twelve months to offset turnover and maintain velocity. This will be a daunting task because railroad jobs are not traditional Monday through Friday work and that contemporary work-life values of young people today are contrary to the railroad's staffing needs. Railroad workers are well paid but often must work long and unpredictable hours. Included with the expected turnover of personnel are a large number of managers, which presents an opportunity to further harmonize the culture of the organization. Interestingly, with these 5,000 additional employees, over 50% of the Union Pacific workforce will have been hired following the Southern Pacific acquisition. To these employees, the great service meltdown culture clash of 1996 is simply a historical event and the culture clash leading to it is anecdotal.

CHAPTER FIVE

IMPLICATIONS, LIMITATIONS, FUTURE RESEARCH

Structure and Purpose

The objectives of this chapter are: (1) to illustrate the relationship of theories found in the literature review to findings in the two cases; (2) to reemphasize the value of the post-merger culture change study by imply how the findings can assist companies considering a merger; (3) to concede the limitations of the study; and (4) to suggest future research opportunities.

Theory/Practice Relationships

The different approaches, execution and results of the two cases suggest that a favorable outcome will be the product of management's attention to the human side of mergers and acquisitions. The Dollar Thrifty approach to post-merger culture change appears to be rooted in McGregor's Theory Y that assumes that it is possible to design organizations that have congruence between employee needs and organizational needs. The Union Pacific – Southern Pacific merger, dissimilarly, follows McGregor's Theory X that portrays employees as intrinsically in conflict with their organization. The Union Pacific is a company where top-down decision making predominates – a characteristic of Theory X firms. The post-merger culture at Dollar Thrifty also has some characteristics of Theory Z introduced by Ouchi (1981). Theory Z companies have flatter organizational structures, longer-term employment, intensive socialization and values emphasizing teamwork and cooperation. Procter & Gamble, IBM and Hewlett-Packard follow Theory Z in their own systems. An opposing point of view comes from Pascale & Athos (1981)

who referred to Theory Y reorganizations, quality circles, and team building exercises as “gimmickry” that do not address the real problem of “limitations to managerial culture” (Pascale & Athos, 1981, p.201).

Despite the display of certain characteristics, the researched mergers are too complex to be reduced to a single 1980’s management theory. For example, Dollar Thrifty was able to successfully combine two rival companies with unique and opposing cultures without disregarding their day-to-day business. The Union Pacific, to the contrary, had severe organizational difficulties because it undertook a revolutionary change (Nahavandi & Malekzadeh, 1999) and disregarded the value of the human capital from the company it acquired.

Using the designations made by Cartwright & Cooper in 1996, the Union Pacific acquisition of the Southern Pacific was a *Traditional Marriage* wherein the Union Pacific was dissatisfied with the performance of the Southern Pacific and felt that its role was to redesign it. Managers and employees of the Southern Pacific suffered career-modifying actions when they resisted. Using the same Cartwright & Cooper (1996) descriptors, the Dollar Thrifty merger was a *Collaborative Marriage* featuring the identification and implementation of best practices, synergies and shared learning from both companies.

Buono & Bowditch (1989) said that there are two fundamental ways of changing culture in an organization. One is by “...getting organizational incumbents to reduce resistance to a new configuration of beliefs and values” (p. 165). The Dollar Thrifty results have characteristics of Lewin’s (1951) force field analysis that depicts organizations as having some forces that drive change and other forces that resist change.

When the forces for change are greater than the forces against change, as they were at Dollar Thrifty, inertia is overcome.

The other fundamental way of changing culture in an organization, according to Buono & Bowditch (1989), is descriptive of the Union Pacific's tactic of removing past members of the organization and pushing new members as necessary. According to Kotter & Schlesinger (1979), this explicit and implicit coercion approach is appropriate when there is no time and when managers have considerable power. The advantage is that it can be fast and effective in the short term with all types of resistance. It leads, however, to resentment and has only short-term impact.

It appears that the Dollar Thrifty post-merger culture change was successful because the employees of both companies were communicated with and served as change agents (the Cultural Ambassadors). "Culture change calls for receptiveness amongst the collective for new ideas, values and meanings" (Alvesson, 2002, p. 186). The post-merger culture change problems at the Union Pacific probably were compounded by uncertainties, ambiguities and stress.

Implications to Others

Investopedia (2002) reported that four of the reasons often cited for contributing to the failure of a merger are: (1) flawed motivations; (2) unmet economies of scale; (3) cultural incompatibility; and (4) disregard of the core business. As it addresses cultural incompatibility, this post-merger culture change research clearly develops a theme (based on the two cases) that companies that: communicate with their employees; develop and espouse a living set of core values; actively adopt best practices of both entities; and seek employee input and involvement have a greater likelihood of having a successful merger

than companies that assert their will, provide exit strategies to resisters, and fail to communicate with and understand the employee population. The findings of this study also imply and highlight the importance of securing employee commitment before or immediately following the merger. This will aid in promoting a positive shift in what was described as Lewin's (1951) Force Field effect. The post-merger culture change study also illustrates the importance of cultivating a people-centric culture that supports education, sound human resource practices, recognition and respect. Employees who are part of this culture could also support management in future change efforts.

Consultants and managers who are planning a merger should know that there could be a sense of resentment and hampered productivity due to changes in values and management style. The promotion of a high level of communication and employee involvement in the planning and execution of the merger, according to this research, will reduce resistance and role ambiguity.

Limitations

“Limitations set some conditions that acknowledge the partial and tentative nature of any research” (Rossman & Rallis, 2003, p.133). Some acknowledged limitations to this study are (1) this research was performed on what could be described as a convenience sample. The researcher was employed by the Dollar Thrifty Automotive Group as a vice president during the course of his dissertation research. Although this employee relationship assisted with the access to subject matter experts and other interview sources, it could be considered a limitation by some in terms of pure objectivity. Despite being cognitive of this, the researcher's position as an officer of the company may have affected the validity of responses from employees lower in the

organization. Regarding the second case, the Union Pacific – Southern Pacific merger was chosen because of the familiarity of contacts that could help access a cross-section of interview respondents. (2) there is limited generalizability to this study due to several variables between other companies and those studied in this research. These included the size of the employee population, geographic distribution of employees, safety issues, and the tenure and representation of the workforce. Considering the extraordinary complexity of organizational combinations, different acquisitions will possibly result in different cultural dynamics and potential organizational outcomes.

Proposed Future Research

Since the Dollar Thrifty case was a friendly combination of fierce rivals while the Union Pacific – Southern Pacific case can be described as a hostile takeover, future research might be in order to identify the post-merger culture change techniques of a friendly combinations went awry or a hostile takeover that was successful. Similarly, future research can be undertaken to identify if the structural/methodological nature of the combination (merger versus acquisition) affects success more than the human side.

Another research opportunity would be to examine and compare mergers in the same industry. One that is especially appealing is the recent break-up of Conrail into two pieces and the acquisition of one piece by the Norfolk Southern railroad and the other by CSX Transportation. This study would compare the post-merger culture change approaches taken by both of the acquiring companies.

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Appendix

Figure A1. Literature Review Model – Theories.

Managing Post-Merger Corporate Culture (See <i>References</i> for full bibliographic information)					
MERGERS	REFERENCE	CULTURE	REFERENCE	ORG. CHANGE	REFERENCE
Fundamental understanding of M & A / Assessing different types of M & A	- Cartwright & Cooper (1996) - Buono & Bowditch (1989) -Chatterjee (1986)	Defining corporate culture	- Alvesson (2002) - Deal & Kennedy (1982) - Fairfield-Sonn (2001) - Gallagher (2003) - Kotter & Heskett (1992) -Schein (1999)	Managing organization change	-Abrahamson (2004) - Carbone (2004) - Luecke (2003) -Pritchett & Pound (1993)
M & A popularity and expected growth	- Ashkenas, Ulrich, Jick & Kerr (2002) - Bruner (2005) - Buono & Bowditch (1989) - Frank (2002) -McManus & Hergert (1988) -Nahavandi & Malekzadeh (1993)	Organizational climate	- Stringer (2002)	Organizational transformation philosophies	-Ackerman, Anderson & Anderson (2001) - Beitler (2003) - Conner (1992) - French & Bell (1999) - Peters & Waterman (1982) - -Rappaport & Sirower (1999) - Quinn (1996)

Managing Post-Merger Corporate Culture
(See *References* for full bibliographic information)

MERGERS	REFERENCE	CULTURE	REFERENCE	ORG. CHANGE	REFERENCE
	-Wasserstein (2001)				
What do decision makers concentrate on when planning a deal?	- Carey (1997) - Cartwright & Cooper (1996) - Gaughan (2002)	How is corporate culture measured?	- Harrison & Stokes (1992) - Hon (2002)	The need for change	- Prahalad & Ramaswamy (2004)
Success/failures of M & A	- Banal-Estanol (2004) - Beitler (2003) - Feldman & Spratt (1999) - Kogut (1988) - Lubatkin (1983) - Miller (2002) - Risberg (2003)	Corporate culture and organizational performance	- Davis (1984) - Fisher (1997) -Lloyd (1995)	Overcoming resistance to change	- Keegan & Lahey (2001) - Kotter & Chen (2002) -Shafritz & Ott (2001)
Human side of M & A	- Buono & Bowditch (1989) - Bohl (1989) -Kaplan & Norton (2004) -Hall & Norburn (1987) - Harvey & Lusch (1998)	Corporate culture and change	-Cameron & Quinn (1999) -Burgess (1995) -Kidman, Saxton, Sera (1985) - Oden (1991) - Topolnytsky (2001)	Strategic change	- Kaplan & Norton (2004) - Klein (2004) - Kotter & Cohen (2002) - Porter (1985) - Quinn (1996) -Rumelt (1974)

Managing Post-Merger Corporate Culture
(See *References* for full bibliographic information)

Mergers		Culture		Org. Change	
Mergers	Reference	Culture	Reference	Org. Change	Reference
	-McGuckin (2001)				
Culture in management of M & A	- Ackerman, Anderson & Anderson (2001) - Astrachan (2004) - Nahavandi & Malekzadeh (1993) -Schein (1992, 1999)	Corporate culture and the management of mergers	- Hickman & Silva (1984) - Nahavandi & Malekzadeh (1993) -Rummel (1993)	Change associated with mergers	-Pritchett & Pound (1993)
Railroad mergers	- Burns (1998) - Kaufman (2005) Saunders (2001, 2003) - Stover (1997)	Railroad cultures	- Burns (1998) - Hemphill (2005)	Changing corporate cultures	-Munck (2001) -Trice & Beyer (1985)

Figure B1. Literature Review Model – Company and Support Specific

TOPIC	REFERENCE	TOPIC	REFERENCE	SUPPORT TOPIC	REFERENCE
Union Pacific RR	-Athearn (1971) - Bain (2000) - Blaszak (2006) - Davidson (2002) - Freeman (2004) -Frailey (1998) (2005) -Ingles (1997) - Kenefick (1985) -Monroe (1997) - Oberstar (1996) - Wian (1998)	Dollar Rent A Car	Internal documents	Dissertations	- Cone & Foster (1993) - Glatthorn (1998) - Hart (1998) - Rudestam & Newton (2001)
Southern Pacific RR	-Ambrose (2000) - Matthews (1996) -Niemann (2006) Orsi (2005)	Thrifty Car Rental	Internal documents	Qualitative Research	- Creswell (1998, 2003) - Fink (1995) - Frey & Oishi (1995) - Glesne & Peshkin (1992) - Lloyd-Jones (2003) - Rossman & Rallis (2003) - Stake (1995) - Yin (1993)

Other Railroads	<ul style="list-style-type: none"> - Goepel (2005) - Hoffman (1998) - Kaufman (2005) - Lovegrove (2005) - Miner (1983) - Niemann (2006) - Saunders (2001, 2003) - Stover (1997) - Vantuono (2005) 				
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