Evolution of multiple organizational identities after an M&A: appropriateness of managerial responses and social construction of identities.

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Executive summary.

Researchers of decision making agree in considering bounded rationality as the best way to describe what really happens during a decisional process. Among many sources of ambiguity that affect this process (attention limitation, time limitation, change in preferences,…) identity and more specifically organizational identity captured my interest. Each of us has an identity and our way and level of identification with the organization where we work or live change continuously. These changes are more radical when special events occur: for instance, an acquisition and a new owner are sources of identity ambiguity that causes change in human behavior.

The evolution of organizational identity is often represented as a combination of an intentional management (sensegiving) and a more social negotiated sensemaking. The interest for this subject revamped in the last months as demonstrated by two papers published on Administrative Science Quarterly in 2010 (Gioia et Al. about Forging an identity and Clark, Gioia et Al. about Organizational Identity Change during a Merger). According to these representations, this work, after a literature review, is organized in three parts:

- in the first part (chapter 4), a case study about an acquisition in pharmaceutical industry provides an analysis of the relationships among strategic conditions following an M&A and the appropriateness of the managerial response;
- in the second part (chapter 5), a case study about an acquisition in banking industry provides an analysis, based on cognitive maps, of the evolution of organizational identity;
- in the last part (chapter 6), is analyzed a possible link between the intentional response and the social negotiation based on the adoption of an IT solution.

From literature to research questions

Previous studies about organizational identity evolution covered explications of how it evolves after external threats (Ravasi and Schultz, 2006), after spin off (Corley and Gioia, 2004) or how it is forged in new business (Gioia et Al, 2010) and change after an M&A (Corley, Gioia et Al. 2010). M&As have also been studied, because they represent a situation in which multiple identities are merged together and an evolution takes place. This plurality of identities is so obvious after an M&A that it should be managed in explicit way. The most cited paper on multiple identities (Pratt and Foreman, 2000) provides a classification of four managerial responses to these multiple identities.

This work has the aim to contribute in understanding the evolution of multiple organizational identities after an M&A addressing the followings research questions:
How can the specific strategic conditions generated after an acquisition affect the appropriateness of managerial responses that consider multiple identities as a strategic value?

In order to find evidence to this question I conducted a case study in pharmaceutical industry.

Even if the opportunity and the possibility to manage organizational identity during the integration post acquisition should be addressed by the above questions, the evolution of organizational identity is a social process that takes place during the interaction among people. An acquisition creates a condition in which differences among identities are emphasized. So, it becomes important a comprehension this social process addressing the following question.
How a managerial response to ambiguity of multiple identities generated after an M&A can influence the effectiveness of sensemaking process?

The intentionality of this managerial response requires to understand which managerial tools are more appropriate. Therefore, I focused on a specific context that often takes place after an acquisition and that can be used as a "tool" to help sensemaking. The third case study is based the following research question:
How Information Systems adoption, implementation and assimilation contribute to sensemaking in Organizational Identity evolution process following an M&A?

Appropriateness of an "aggregation" managerial response to multiple Organizational Identities after Merger & Acquisition in pharmaceutical industry.

The aim of this part is to find evidence of strategic conditions that make appropriate an "aggregation" managerial response to multiple organizational identities after an M&A. Analyzing deeply a case study regarding an acquisition in pharmaceutical industry, I found evidence that an aggregation response is appropriate when both high plurality and high synergy are appropriate. Using a framework by Pratt and Foreman, I verified that identity plurality was appropriate because powerful stakeholders supported the current identities of companies, various stakeholders legitimated current identities of companies, current identities had a future strategic value and companies hadn't strictness of resources constrains. I also verified that identity synergy was appropriate because there were compatibility among identities, high interdependence among stakeholders and high diffusion of multiple identities across the organizations.
   These findings suggest that all the conditions of the Pratt and Foreman's model are verified. Therefore, according to Pratt and Foreman, both identity synergy and plurality were appropriate and the better managerial response is an "aggregation". Authors describe this managerial response as the choice to maintain both identities and forge links between them. They argue that these linkages "*can take at least two forms: (1) the creation of an identity hierarchy and/or (2) the creation of new beliefs*". Again: "*Individuals can aggregate their identities by ordering them in an identity salience hierarchy*". This salience is defined by Stryker as: "*the probability, for a given person, of a given identity being invoked in a variety of situation*" (Stryker, 1968). So, this hierarchy is not rigid: an identity can be more salient in a specific situation. This hierarchy is the way to avoid role conflicts (Pratt and Foreman, 2000). Evidences from case study show that both Merck and Serono's identities were maintained but a common set of group value. Merck's managers adopted an aggregation response of aggregation where, after the acquisition, each identity is still alive but, at the same time, a clear group identity has been communicated. In this way, people follow their own identity but, if they face a conflict, it is possible to invoke the group identity that has a higher rank in the hierarchy. This managerial response has been appropriate and the acquisition has been perceived as a success. Another suggestion that

emerges from this case study is referred to the different boundaries that the meaning assigned to the word "we" by the people. Many people used "we" only referred to their site or department. Also the managerial response that I identified as "aggregation" should be defined differently if I referred only to Italy (probably a "deletion"). So, it is important that the boundaries of business are well defined in order to identify which managerial response has been implemented or should have to. A global strategy of "identity aggregation" can sometimes need to "delete" locally some identity.

Organizational identities evolution: sensemaking and causal maps. A case study of M&A in banking industry.

Even if the opportunity and the possibility to manage organizational identity during the integration post acquisition has been argued by previous papers, the evolution of organizational identity remains a social process that takes place during the interaction among people. An acquisition creates a condition in which differences among identities are emphasized. This social process is based on sensemaking that can be defined as the capability to link daily activities with large patterns. The effectiveness of this process within an organization depends on the presence of "common points" among cognitive maps of knowledge that each person develops. After an acquisition these "common points" decrease because of a higher ambiguity. A managerial response that is based on clear communication and coherent managers' behaviour can reduce this ambiguity and improve sensemaking effectiveness.

The proposition that I verified describing this case of acquisition argues that … a*fter an M&A, a managerial response that clarifies organizational identity perception, enhancing weaker relationships, improves the effectiveness of sensemaking process reducing the ambiguity in multiple identities.*

I illustrated how, using cognitive map and network measurements, is possible to describe the initiatives that acquiring bank used during integration process and their effects on level of effectiveness of sensemaking. I also described how that bank could measure and monitor the level of comprehension of corporate strategy. Doing that the bank can clarify strategic issues related to organizational identity that shows a weak level of comprehension.

In addition, this section has three main outcomes that are more interesting than conclusion that can be elaborated on the specific case study (that has a clear limitation in the number of interviewed people with respect to the size of the bank).

First, it explains why the evolution of organizational identity is a social process based on sensemaking and how appropriate managerial responses must be monitored and supported at social level in order to be effective.

Second, it clarifies how cognitive maps can be a managerial tool to achieve that result. Cognitive maps allow representing the expected organizational identity in a form closer to the mental representation that people build about the new reality.

Third, it demonstrates that sensemaking process can be measured in terms of effectiveness using network measurements. This result can be interesting for both academic and practitioners.

Effects of Information Systems adoption, implementation and assimilation on Organizational Identity during the integration process after an M&A

The aim of this study is to illustrate how the adoption of new Information Systems (IS) affects sensemaking in the process of Organizational Identity (OI) integration after an M&A. Within a wider case study about an acquisition in chemical/pharmaceutical industry,

we describe the effects of IS (SAP) adoption, implementation and assimilation on the organizational identity. We argue that after an M&A there are conditions for a mindful innovation with IT and therefore innovating with IT can be an effective way to enforce sensemaking process and, as a consequence, to influence the Organizational Identity evolution.

In this part, I argued that the evolution of organizational identity after an M&A can be supported by the adoption, implementation and assimilation of common IT solutions. In that context, firms involved in acquisition use mindfulness in innovating with IT, because their attributes are verified (Swanson and Ramiller, 2004). Indeed, we suggest that firms engaged in innovation with IT after an M&A have a higher preoccupation with failure, have a higher sensitivity to operations, have a higher commitment to resilience, have a higher richness of interpretation, have a higher richness of interpretation. This mindfulness facilitates the sensemaking process because firms involved in the acquisition share a "collective structure" of new reality, a retrospective of the past events and share a symbolic representation of new reality. In a constructionist approach, the evolution of organizational identity requires a social negotiation among members where sensemaking has a primary role. So, the integration process following acquisitions can be facilitated by adopting, implementing and assimilating common IT solutions with mindfulness.

Conclusions, limitations, practical and theoretical implications

The described evidences of this study about appropriateness of managerial responses to multiple organizational identities after an M&A are very interesting because a framework elaborated in 2000 – as Pratt and Foreman's one - revealed its predictive capacity. Anyway, I have to underline how results of a qualitative study like this one cannot be generalized without a nigh attention to contextualization. Aggregation is one response typology on four of the model. So, similar studies should be conducted in order to make this analysis more complete.

Another limitation in possibility of generalization is linked to reasons of acquisition. Several studies proposed classifications of M&As based on reason-why criteria. It is a trivial consideration to observe how managerial response in an M&A that finds its reasons in destroying a competitor is different by an acquisition that open a new market in a country with a different culture. A wide research plan could match reasons for acquisition and the four managerial responses.

Focusing on cognitive map part of this study, I want to emphasize its methodological interest. Even in a qualitative study, relevance of sample is inappropriate to make conclusions although specific for that acquisition. Nevertheless, methodology presented in that section has a high interest for both managers and researchers because is easy to apply but very rich in term of strategy evaluation.

Also due to the high interest existing about M&A, this study can provide practical and theoretical implications for both scholars and practitioners. Practitioners and "Change managers" could use results of this study in order to design a clear strategy to manage organizational identity in a deliberate way involving HR manager and doing an effort of coherence between brand evolution and its "internal" consequences. A strategy that gives a role of managerial variable to organizational identity, that chooses new "labels" that define "what we are" of resulting company and that helps people to "make sense" of these new labels, could reduce ambiguity and improve effectiveness of merge. They could also use cognitive maps in order to help sensemaking process and, for instance, organize meeting focused on the research of common points among different cognitive maps.