

## Hard and Soft Integration: Towards a Dynamic Model of Post-Acquisition Integration

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**ABSTRACT** Successful post-acquisition integration hinges on combining hard and soft integration, but insights into how this can be done are scarce. We develop a dynamic model of post-acquisition integration through an in-depth inductive study of a cross-border acquisition. Our model illustrates that the combination of hard and soft integration decisions sets in motion intergroup interaction processes that influence both the realization of synergies and collaborative intentions. Our study advances the M&A literature by elucidating how hard and soft integration dynamically interact in their effects on post-acquisition integration outcomes. In doing so, we respond to the call for more research on the temporal nature of integration processes. Finally, we reveal that a singular or monolithic approach to post-acquisition integration is unlikely given that different units are likely to have different integration needs depending on their degrees of interdependence and autonomy.

**Keywords:** hard integration, integration dynamics, intergroup interaction, quality of collaboration, soft integration, synergy realization

### INTRODUCTION

Scholars increasingly point to integration as a crucial process explaining the poor performance of many acquisitions (Graebner et al., 2017). However, post-acquisition integration processes are extremely complex and depend on many factors (for an overview see Steigenberger, 2017). Moreover, acquisition integration is a dynamic process (Clark et al.,

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2010) generating unintended consequences, both positive (Graebner, 2004) and negative (Vaara and Monin, 2010).

A notable source of the complexity of integration pertains to the need to create value and realize synergies, while at the same time employee commitment and motivation must be secured (Graebner et al., 2017). This apparent tension is reflected in a fundamental contradiction between 'hard/controlling' and 'soft/avoiding' integration policies (Larsson and Finkelstein, 1999; Schweizer, 2005). On the one hand, some degree of control is needed in order to realize the synergies that motivated the acquisition (Puranam et al., 2006), which often implies that the buying firm uses its authority of ownership to impose task integration (i.e., the 'hard' approach). On the other hand, cultural and behavioural elements and a certain degree of autonomy also play an important role when two organizations are combined (Clark et al., 2010; Zaheer et al., 2013), emphasizing the need for human integration management (i.e., the 'soft' approach) (Briscoe and Tsai, 2011).

In view of this tension, some acquiring firms take a more cautious approach in which the acquired firm is granted ample autonomy (Ranft and Lord, 2002), but with the downside of delaying strategic changes in the operation of the combined entity that should lead to post-acquisition value creation (Seth, 1990). Thus, emphasis on soft integration alone can send the wrong signal to acquired-firm employees and lead to procrastination (Haspeslagh and Farquhar, 1994) or even avoidance of clear-cut decisions (Vaara, 2003), while emphasis on hard integration alone can permanently cripple employee collaboration (Birkinshaw et al., 2000).

Hence, post-acquisition integration presents managers with a conundrum: the hard and the soft approaches are needed simultaneously in order to square the circle of realizing synergy while avoiding employee resistance (Zaheer et al., 2013). Yet, the literature so far has mostly treated hard and soft integration separately, as mutually exclusive, or as opposite poles of a continuum (Datta and Grant, 1990; Puranam et al., 2006). In this study, we argue that it is important to know how both approaches can be dynamically combined.

To arrive at this understanding, tensions between these two approaches cannot just be studied at one point in time; the temporal dynamics of the integration process need to be examined (Shi et al., 2012; Steigenberger, 2017). Furthermore, research increasingly acknowledges that an acquisition may mean very different things to different departments or groups of employees (Brannen and Peterson, 2009; Larsson, 2005); hence a differentiated or hybrid integration approach may be necessary (Angwin and Meadows, 2015; Schweizer, 2005). Although the majority of previous studies have assumed integration to be homogeneous within an organization, more recently, scholars have called for more a more nuanced situation-specific perspective (Bauer and Matzler, 2014; Teerikangas and Thanos, 2018). Based on these considerations, our research objective is to elucidate how combinations of hard and soft integration actions lead to intergroup interactions that move post-acquisition integration forward.

We aim to bring empirical and theoretical clarity to these issue through an inductive longitudinal study of the acquisition of KLM by Air France. Our case study covers a period of almost four years in which we conducted over 300 interviews in the acquired company. We decided to zoom in on the post-acquisition integration process of all eight

integrated units at KLM to examine the effects of combinations of particular modalities of hard and soft integration approaches over time. Each unit shows a unique combination of situational factors, integration objectives and management approaches that led to different integration processes and outcomes. Based on this picture, we developed a more general process model providing insight into the dynamics of a post-acquisition integration process.

Our study advances theory in two main ways. First, we contribute to the post-acquisition integration literature by developing an empirically-grounded process model of post-acquisition integration. In this model, we articulate how elements of hard and soft integration interactively influence task integration outcomes and the advancement of collaborative intentions over time. Our findings demonstrate that for successful post-acquisition outcomes, organizations need a mix of both hard and soft approaches, aligned with the intended level of integration. Moreover, we emphasize the crucial role of intergroup interaction processes that either impede or promote the realization of synergies and quality of collaboration, both of which are determining factors in the success of post-acquisition integration. We also specify the social mechanisms that link together integration approaches, intergroup interactions, and integration outcomes. Hence, we contribute to answering the call for more research on the dynamic nature of post-acquisition integration processes.

Second, we reveal that a singular or monolithic approach to post-acquisition integration is unlikely given the complexity of organizations and the likelihood that different units will have different degrees of interdependence and autonomy. As Teerikangas and Thanos (2018) argue, integration often occurs in all functions, both core and support. But there is a difference in how value is created and this will, amongst other factors, depend on the degree to which functions are integrated. An important contribution of our study is to provide theoretical insight into how different integration paths, even within a single acquisition, unfold over time.

## **THEORETICAL BACKGROUND**

Studies on post-acquisition integration processes increasingly point to the tension between 'hard' and 'soft' integration (Birkinshaw et al., 2000; Monin et al., 2013). Haspeslagh and Jemison (1991) in their pioneering work argue that the choice of integration approach should be based on the need for strategic interdependence between the acquiring and acquired firm and the need for keeping the acquired firm autonomous. When there is a strong need for both integration *and* autonomy, the integration dilemma becomes most significant. The recommended approach in such situations is 'symbiosis' – 'the two organizations first coexist and then gradually become increasingly interdependent' (Haspeslagh and Jemison, 1991, p. 149). However, Haspeslagh and Jemison conclude that symbiotic integration is ultimately an 'unnatural act' (1991, p. 222).

We consider the 'hard' aspect of post-acquisition integration management as the set of activities undertaken to realize cost and revenue synergies. Tasks may be transferred from the acquired firm to the acquiring firm (or vice versa), tasks may be discontinued completely, or activities may be performed jointly by the two companies. These decisions

have important consequences for employees and their career prospects, for instance if reporting and authority relationships are changed (Meyer, 2001), and therefore are typically highly contested (Vaara, 2003). The acquiring firm is likely to have the upper hand in these processes, both through the authority of ownership and because it often is larger than the acquired firm (Pierce and Dougherty, 2002). Unconstrained use of power by the acquiring firm, however, can lead to perceptions of domination and loss of autonomy and status (Hambrick and Cannella, 1993). These perceptions may in turn hamper the willingness of organization members to cooperate in post-acquisition integration efforts (Very et al., 1997).

The acquiring firm does not always completely dominate decision-making regarding hard integration. Managers from the acquired firm may be given an important role, for instance, because acquired-firm employees have particular competencies (Larsson, 1990), or because of considerations of fairness (Monin et al., 2013). Moreover, integration decision making can be either more top-down or bottom-up (Heyden et al., 2017). Both types of decision processes can also occur simultaneously in a complex integration process (Eriksson and Sundgren, 2005).

Soft approaches to post-acquisition integration concern actions that pursue the ‘creation of positive attitudes towards the integration among employees’ (Birkinshaw et al., 2000, p. 400). There is an extensive literature on the human aspects of mergers and acquisitions (e.g., Stahl et al., 2013). Soft approaches to integration management include formal elements like personnel rotation, joint training programs and cross-unit teams, task forces and committees, as well as more informal elements like out-of-the-office events, cultural awareness seminars, and short-term visits (Birkinshaw et al., 2000; Meglio et al., 2015; Schweiger and Goulet, 2005). All these activities aim to induce positive interactions between members of the acquired and the acquiring firm.

While most studies focus on one of the two integration approaches (Harikkala-Laihininen et al., 2018), King et al. (2020) emphasize that although hard and soft integration are distinct, they interrelate in their influence on M&A success. Thus, there is a need to examine *how* hard and soft approaches can be combined in post-acquisition integration, as these two types of activities can complement and reinforce each other (Birkinshaw et al., 2000), but may also work at cross-purposes. Below we discuss how previous studies have looked at this issue.

Larsson (1990) theorizes that strong coordinative actions aimed at realizing synergies can be combined with low employee resistance when neither of the two firms dominates the other. The company that has the strongest competence in a particular area can then take the lead in ‘positive joint projects’ (Larsson, 2005, p. 188). However, a major difficulty consists in agreeing on the relative competencies of the two firms (Larsson, 2005). Moreover, it is to be expected that ‘positive joint projects’ can only be started if there already is a certain degree of employee buy-in (Piderit, 2000).

Birkinshaw and his co-authors (Birkinshaw, 1999; Birkinshaw et al., 2000) discuss tensions in post-acquisition integration management in terms of the relationship between task integration and human integration. In cases for which Haspeslagh and Jemison (1991) recommend symbiotic integration, Birkinshaw and his co-authors advocate an approach that starts with human integration, followed slowly by task integration, which

becomes really effective only when the human integration process is nearly finished (Birkinshaw et al., 2000). However, it is not clear how task and human integration interrelate. On the one hand they are described as parallel activities, suggesting that hard and soft integration require different, parallel management processes, and ‘one dimension can be pursued with relatively little concern for the other’ (Birkinshaw et al., 2000, p. 400). Yet, on the same page the authors also state that task integration involves ‘combining and elimination operations’, while human integration needs ‘an atmosphere of mutual respect and trust’. Combining these, although not a-priori impossible, seems difficult.

This leads to the question of whether hard and soft approaches to integration management can best be combined sequentially. Starting with a soft approach has the advantage of preparing the ground for hard decisions pertaining to task integration (Birkinshaw et al., 2000). However, soft approaches in the absence of some form of hard integration may be of little effect. Teerikangas and Laamanen (2014) observed that positive integration processes began with structural change (the ‘hard’ approach), which subsequently triggered cultural change (the ‘soft’ approach). Torres de Oliveira et al. (2020) further theorize that different soft integration approaches need to be used over the course of the post-acquisition integration process, but these authors do not systematically link this to hard integration.

There is also a stream of research that discusses how multiple, hybrid approaches are needed to integrate two companies, assuming that hard and soft integration can coexist (Angwin and Meadows, 2015; Schweizer, 2005; Zaheer et al., 2013). As Meglio et al. (2015, p. S38) put it: ‘success in acquisitions likely requires that managers find the right portfolio of integration mechanisms to achieve acquisition goals’. Zaheer et al. (2013), for example, provide a more nuanced understanding of what they call ‘the trade-off regarding autonomy and integration’. The authors find that complementarities between the acquiring and acquired firm lead to both greater autonomy and integration for the acquired firm.

Angwin and Meadows (2015, p. 238) note that there could also be ‘interplay between “pure” post-acquisition integration styles’, something which Graebner (2004) already posits in her study on symbiotic acquisitions in a high technology context. Likewise, Schweizer (2005) states that previous studies have generally adopted a ‘one-size-fits-all’ approach, neglecting the complexity and multidimensionality of this phenomenon. In the context of these hybrid organizations, Chu and Wood (2019) more recently indicate that there is a lack of research on how different antagonistic elements (e.g., hard and soft integration approaches), due to their hybrid nature, interact with one another. They specifically ask for more studies on hybridization processes and dynamics during an integration phase.

The implication of these earlier studies is that managers should not only focus on making the right choice of hard and soft elements in their approach, but also on the interdependencies between these hard and soft aspects. We thus identify a need to acquire a better understanding of the dynamics of combinations of hard and soft approaches in post-acquisition integration. In order to realize this, we have conducted a longitudinal in-depth case study of the integration process in eight units of KLM after that firm had been acquired by Air France.

## DATA AND METHODS

The acquisition of KLM by Air France, which occurred in 2004, led to a long and demanding post-acquisition integration process that we followed in real-time for a number of years. The case – formally announced as a friendly acquisition but managed as a merger – soon became a historical landmark: it was the largest acquisition for the industry in terms of the size of the companies and their number of employees, and, most importantly, the first major international acquisition in the industry. After the acquisition was announced, the new top management team immediately launched a ‘reshaping’ programme. Key ideas and slogans included ‘focus on the common bottom line’, ‘combining [i.e., integrating] activities where there is a strong business rationale’, and ‘keep coordination model for operational activities’.

We build on earlier work focusing on the acquired firm (Graebner, 2004), as several studies point out that our lack of understanding post-acquisition integration might be due to difficulties in obtaining rich data from acquired companies (Angwin and Meadows, 2015). Moreover, to make acquisitions successful, it is of particular importance that acquired-firm employees become proactively involved in making the acquisition happen and collaborate in the integration process (Teerikangas, 2012), and for studying this a focus on the acquired firm is necessary.

A research team consisting of seven researchers (including the first two authors of this paper) gained access after the acquisition plans had been announced through direct contact with top management of Air France and KLM. We discussed the details of our research project with several company representatives. We met these representatives at four different occasions in the period from before the formal conclusion of the acquisition to one month after that event, and finally agreed on a research protocol. This agreement specified, amongst others, the approximate numbers of interviews to be conducted throughout the integration process.

Our data collection at KLM began shortly after the formal consummation of the acquisition and covered a period of almost four years. This long period of contact allowed us to observe effects of integration management over time (Colman and Lunnan, 2011; Graebner et al., 2017). Moreover, our longitudinal approach allowed a better understanding of how hard and soft integration approaches interact with and reinforce each other. We indicate the timeline of the integration process below by referring to the first 12 months after the formal consummation of the acquisition as ‘year 1’, the subsequent 12 months as ‘year 2’, etc.

### Research Context

The acquisition we studied can overall be classified as symbiotic (Angwin and Meadows, 2015; Haspeslagh and Jemison 1991), characterized by a strong need for both integration and autonomy. A statement from the CEO of Air France on the internal website illustrates this:

*Financially this is an acquisition, but managerially it is not. Air France does not want certain good things of KLM to be lost and realizes very well that they need certain aspects of KLM. A synthesis is therefore necessary, a coming together in which the strong sides of both companies come first.*

However, from our literature review it becomes clear that one particular acquisition can involve multiple integration approaches and look very different to different groups of employees (Brannen and Peterson 2009; Monin et al., 2013; Schweizer, 2005). Therefore, we decided to study all integrated units at KLM in examining the effects of combinations of particular modalities of hard and soft integration approaches.

For the purpose of our study, we theoretically sampled those organizational units that engaged at least in some form of integration, which was not true for some other units within the firm (e.g., Engineering & Maintenance, Cabin Crew, Cockpit Crew, and Check-in staff). Hence, we ended up focusing on eight units which were diverse enough to provide a basis for contrast and theory development. These units were grouped into four different integration patterns depending on the degree of integration that top management of Air France-KLM intended to realize. In combination, these eight 'cases' promised to provide insights into a variety of post-acquisition integration processes and outcomes. Table I provides an overview of our interview data and other information related to our embedded cases.

### Data Collection

We relied on interviews as the main source of data. We conducted over 300 semi-structured, in-situ interviews in the acquired company KLM. We interviewed numerous knowledgeable informants who viewed the integration process from diverse perspectives (Eisenhardt and Graebner, 2007). These informants came from a variety of hierarchical levels and functional areas. We began by interviewing top managers because they play an important role in the strategic aspects of formal organizational changes like an acquisition (Corley and Gioia, 2004). These managers acted as key informants who were able to recommend additional informants throughout the hierarchy. In total, 56 higher managers (executive vice presidents, country managers, and division heads) were interviewed, while a total of 125 middle and lower managers (general managers and heads of departments) and 124 non-managers (front-line employees) were interviewed. In addition, we conducted three retrospective interviews six years after the acquisition with an ex top manager, a former member of the Strategy department, and a member of the HRM department. These interviews helped us in validating our findings based on the real-time data collection. The average duration of the interviews was about 60 minutes. All interviews were recorded and transcribed verbatim. We conducted the interviews in Dutch, French and English, depending on the mother tongue and language skills of interviewer and interviewee.

In these semi-structured interviews, we followed a story-telling approach (Czarniawska, 2004): employees were able to tell their own narratives and their interpretations of key issues and events. By so doing, we avoided putting words into their mouths. However, our interview protocol also comprised a range of questions dealing with the integration process in general (e.g., 'How has the acquisition influenced your job?') and hard and soft integration management in particular (e.g., 'What do you think of management in your department and do they manage the integration effectively?'). With this approach we could capture collective organizational sensemaking processes (Gioia and Thomas, 1996) and compare the different interpretations of the people representing different parts of the organization.

Table I. Interview and case information

	<i>International Sales Offices</i>	<i>Corporate Communications</i>	<i>Human Resources</i>	<i>Information Services</i>
Approximate size of the unit <sup>a</sup>	2,500 members	25 members	300 members	900 members
Top management integration intentions	Full integration	Selective displacement of tasks	Minimal integration	Selective displacement of tasks
Number of formal interviews conducted <sup>b</sup>	Higher managers: 29 Middle and lower managers: 37 Employees: 44	Higher managers: 2 Middle and lower managers: 4 Employees: 8	Higher managers: 4 Middle and lower managers: 8 Employees: 3	Higher managers: 6 Middle and lower managers: 4 Employees: 9
	<i>Network</i>	<i>Pricing &amp; Revenue</i>	<i>Cargo</i>	<i>Corporate Control</i>
Approximate size of the unit <sup>a</sup>	60 members	150 members	2,300 members	100 members
Top management integration intentions	Coordination & alignment	Minimal integration	Full integration	Coordination & alignment
Number of formal interviews conducted <sup>b</sup>	Higher managers: 3 Middle and lower managers: 1 Employees: 9	Higher managers: 1 Middle and lower managers: 9 Employees: 1	Higher managers: 4 Middle and lower managers: 17 Employees: 2	Higher managers: 4 Middle and lower managers: 7 Employees: 4

<sup>a</sup>These are the figures for KLM, for the eight units included in our study. At Air France there are two to three times more members than at KLM in each unit.  
<sup>b</sup>Some managers and employees were interviewed multiple times.



Additional data sources included observations and a substantial range of documentation, including published articles, company magazines, internal company documents, speeches, and newspaper and magazine reports. These data sources were used to help in the interpretation of our findings, for triangulation, and for gaining additional perspectives on key events and issues (Miles and Huberman, 1994). Apart from triangulation, we further dealt with possible informant bias by providing anonymity to our informants. Our interviews at multiple hierarchical levels and from multiple areas of KLM also decreased the risk of informant bias. Finally, our informants were very motivated to provide us with detailed and in-depth information because they perceived the integration with Air France as important but did not understand why it only succeeded in some parts of the firm. This improved the accuracy of our informants' accounts (Miller et al., 1997).

## Data Analysis

Throughout our qualitative data analysis, we followed an inductive, iterative approach of moving back and forth between our data, existing literature, and the emerging theory (Charmaz, 2006; Strauss and Corbin, 1990). As with other inductive organizational research looking to delve deeper into a phenomenon where some theory already exists, it is helpful to use what is already known as a starting point for the examination as this provides a sense of validation that what is being seen in the case fits with the general theoretical understanding of the phenomenon (Charmaz, 2006). In the context of our study, we acknowledge earlier work on hard and soft integration efforts. However, our analysis pushes beyond this 'known' and explores novel and theoretically interesting aspects of the phenomenon that can provide an advancement of theory. Furthermore, we are able to articulate better what hard and soft integration management really entail, which has been asked for in earlier studies on acquisition outcomes (Capron, 1999; Rottig et al., 2017).

Our analysis proceeded in several stages. First, we performed a careful analysis of the interview material. We elaborated a coding scheme that helped us to identify specific categories related to how our informants viewed the process by which their organization handled this integration. Following the tenets of a grounded theory approach (Charmaz, 2006), we began by identifying first-order codes (i.e., in language used by the informants), illustrated with simple descriptive phrases or quotes. As multiple codes began to capture the views of different informants on the same topic, we collapsed several codes into first-order concepts that represented the foundations of our emerging understanding of the integration process. After the initial first-order coding was complete, we searched for relationships between these concepts and began assembling related concepts into higher-order themes. After several iterations of this thematic organizing, we were able to collapse the themes into overarching dimensions that captured our emergent theorizing at a more general level. This process allowed us to develop an emergent data structure (see Figure 1) that illustrates how our analysis moved from raw data to coded data to emergent theorizing (Gioia et al., 2013).

Ultimately, this analytical process revealed six main dimensions along which the integration process at KLM proceeded. The first dimension is related to the start of the integration process and matches with previous M&A integration studies in terms of

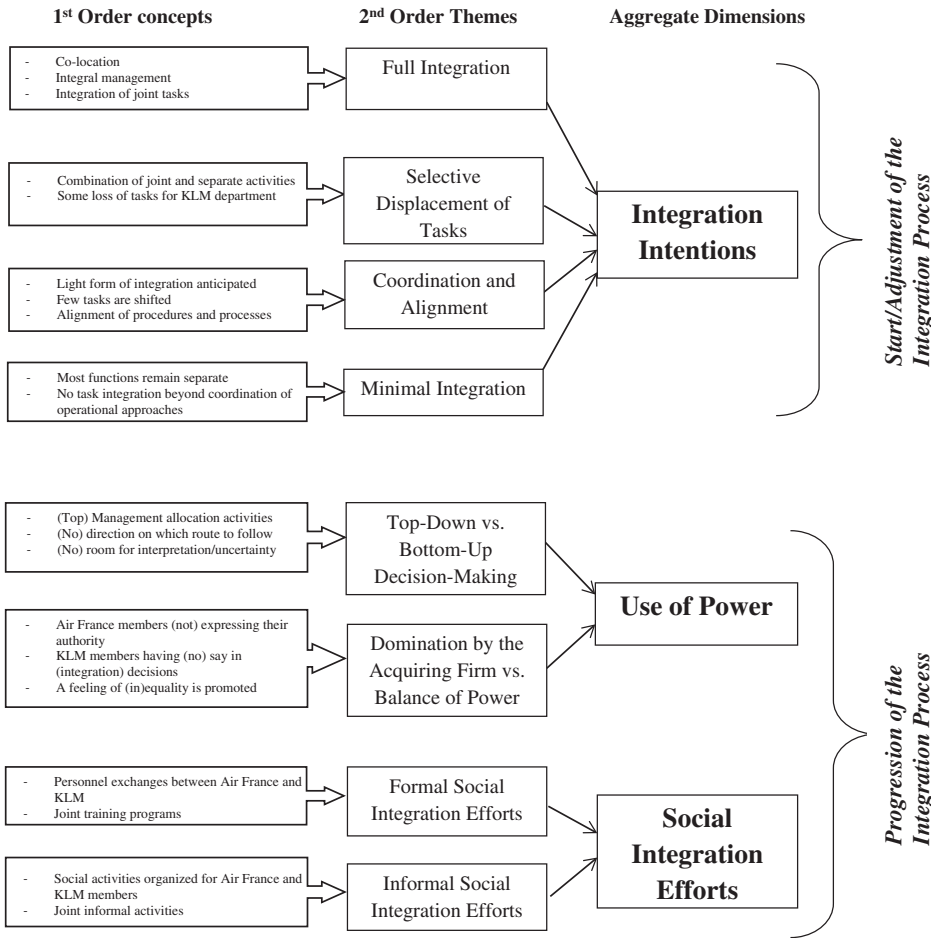


Figure 1. Structure of the data

‘*integration intentions*’ (i.e., the degree of integration of (parts of) the acquired firm with the activities of the acquiring firm (Homburg and Bucierius, 2006)). The following three dimensions deal with the progression of the integration process. The second dimension is related to the ‘*use of power*’ (i.e., the extent to which the acquiring firm uses its power in integration decision making (Pablo, 1994), as well as the power balance in the integration more generally). The third dimension consists of ‘*social integration efforts*’ (i.e., the activities organized by the acquiring and acquired firm aimed at strengthening relationships between employees from both firms (Björkman et al., 2007)). The fourth dimension captures themes related to ‘*intergroup interaction*’, which was of a competitive or collaborative nature, more or less intense, and could be geared towards working together in fleshing out joint tasks, or to negotiating over separate tasks. The fifth and sixth dimensions represent data related to the outcomes of decisions and actions representative of hard and soft integration management which we call ‘*task integration outcomes*’ and ‘*collaborative intentions*’, respectively.

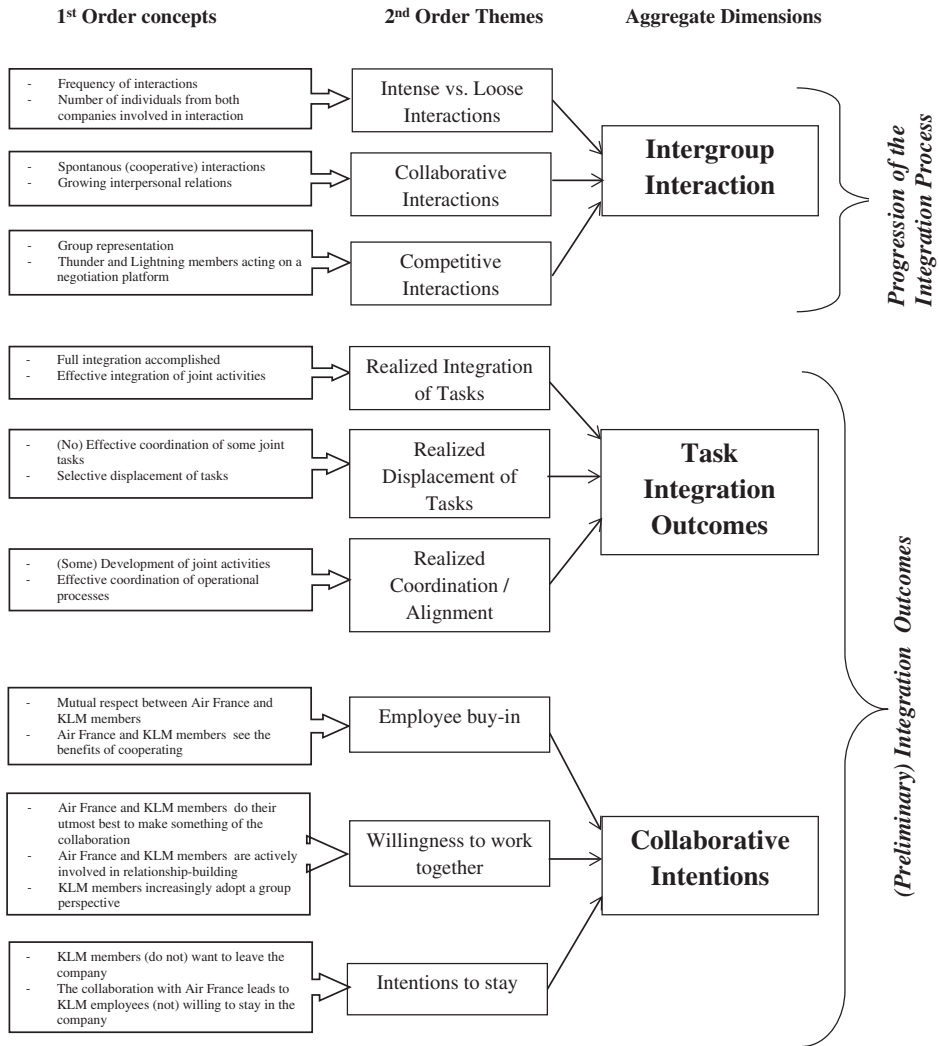


Figure 1. Continued

While these six dimensions are representative of how our informants across KLM explained their lived experience of the integration, we also were aware, based on our initial coding, that different people experienced different integration processes based on where they were within KLM. Thus, we shifted our analytical efforts toward comparing experiences across different units of KLM, following the example of earlier studies that draw attention to differentiation within a single acquisition (Monin et al., 2013; Schweizer, 2005; Teerikangas and Thanos, 2018).

Building on the themes that made up these six dimensions, we segmented our data based on the eight units of the organization studied, which experienced different integration activities. We, thus, proceeded by analysing collective sensemaking patterns in these units. Two authors (who were not involved in the data collection process) read the data

to form an independent perspective, which we incorporated in the unit-specific analyses. This ensured the completeness and accuracy of our individual case analysis.

Based on this picture, we subsequently developed a more general process model providing insight into a temporal post-acquisition integration process. Here we accounted for our emerging concepts and their dynamic interrelationships to build grounded theory (Charmaz, 2006; Gioia et al., 2013).

## FINDINGS

We present our empirical findings in two sections. We first provide a summary of the integration process in four different patterns, based on the degree of integration that top management of Air France-KLM intended to realize. We then turn to a cross-case analysis for a systematic comparison of the similarities and differences between the integrated units, which provides the basis for our emergent theoretical model.

### Four Integration Patterns

We selected eight units for further study that exemplified different levels of intended integration: International Sales Offices ('Sales Offices') and the Cargo Division ('Cargo') (*full integration*); Corporate Communication ('Communication') and Information Services ('IS') (*displacement of some tasks from one company to the other*); Corporate Control ('Control') and Network Planning ('Network') (*coordination and alignment of tasks*); and Human Resources ('HR') and Pricing & Revenue Management ('PRM') (*minimal integration*). We observed that the interaction processes between the units at the KLM side and the Air France side differed depending on the intended level of integration, but were also influenced by the use or restraint of power, both in top management decision-making and in inter-units relations, as well as by various efforts that were made to promote social integration between KLM and Air France employees. All of this finally influenced both the realized level of (task) integration, as well as a number of motivational aspects among KLM employees, which we summarize in the concept of 'collaborative intentions'.

*Full integration.* Sales Offices and Cargo were selected for full integration early in the acquisition. Both units were put under integral management and joint tasks were fully integrated. In both cases this decision was taken top-down by top management of Air France-KLM and not subject to any further discussion. In both cases, however, there was also ample opportunity for bottom-up fleshing out of the actual task integration processes. This use *and* restraint of power by top management seems to have led to positive interactions between KLM and Air France managers and employees:

*They've really kind of sensed what's going on in the establishments and just allowed people to work hard at harmonization, forming their business case. Then they were very receptive in listening to the establishments.* (KLM Marketing Manager Sales Offices, year 1)

We also observed restraint in the use of power by Air France, next to top management giving room for bottom-up fleshing out of joint tasks. In the case of Sales Offices, Air

France showed constraint of power in the nomination of country managers. Instead of choosing their own country managers, this position went to someone from KLM in a fair number of countries: ‘[These are decisions] *with a strong symbolic value*’ (Joint Country Manager, coming from KLM, year 3).

The Cargo management team was headed by a KLM manager. This team led the integration process, in which the details of working together needed to be hammered out. This was a lengthy process, which was not yet fully finalized at the end of our observation period:

*When is integration finished? Never, of course, but at a certain moment you need to say to your people that the change project is done, the new house has been built and now we will optimize the rules of the game within that new home. But that’s what I call optimization, or day-to-day management.* (KLM Local Manager Cargo, year 4)

There was some resentment at the Air France side because a manager from the smaller KLM unit had been given the overall leadership position. KLM managers understood that this could lead to tensions that needed to be handled:

*In some cases it is too much ‘fair’ and ‘balanced’ in the advantage of KLM. Within Air France Cargo HQ this is blown up. There’s a large population there who are not enjoying it all. That is important. You need to acknowledge this and act upon it.* (KLM Area Manager Cargo, year 3)

All in all, the choices made in the integration process led to reasonably smooth interactions between KLM and Air France groups of employees, both at Sales Offices and at Cargo. Cooperation prevailed, although there was also some degree of competition at Cargo: ‘*So, yes, there is some kind of “competition”. But [...] I don’t like it when things go badly with Air France*’ (KLM Area Manager Cargo, year 4). A big difference between Sales Offices and Cargo was that the former were co-located in every country, while Cargo remained spread not only over regional offices, but also across Amsterdam and Paris.

The integration outcomes were in both cases positive. Full task integration of Sales Offices was accomplished without major tensions. The process was slower at Cargo, but had made good progress by the end of our study. Likewise, the soft integration outcomes were positive in both cases, with multiple signs of strong collaborative intentions:

*I have the feeling that people are willing to achieve this integration together. We even have a guy who was supposed to get into earlier retirement, he said: ‘Ok, the mood is so good now I will not leave, we have something positive going on now’.* (KLM Marketing Manager Sales Offices, year 3)

*I think it is marvelous to see what happens. One sees new heroes rise. People you didn’t know, but who travel to France every week to sort things out. ... It’s simply great fun to witness this.* (KLM Cargo Business Development Manager, year 3)

*Selective displacement of tasks.* There were two units for which the integration intentions were to selectively displace tasks from one firm to the other, but the way in which this

was managed and the outcomes differed substantially. The Communication department at KLM was immediately affected because top management decided that most financial communication and investor relations activities would be shifted to Air France, and KLM's freedom of external communication on many other issues was restricted. In contrast, internal communication within each of the two firms remained largely independent. But there were also important joint activities that needed to be performed, like the preparation of major press conferences in which the CEOs of both Air France and KLM were present, and large management conventions.

The situation at IS was more complex. A pre-acquisition report written by a management consultancy firm raised high expectations regarding synergies in the domain of IS. However, of many of the different applications used by either of the firms it was not a priori clear which one was the best. Top management therefore refrained from giving clear directions on how the synergies should be realized, instead ordering the Air France and KLM IS departments to develop a plan together. This was to be based on the abstract principle that for every application the best option would be chosen: Air France's system, KLM's system, development of a new joint system, or buying a system in the market.

As a result of the different approaches in dealing with joint and separate activities, the integration processes at Communication and IS were also very different. The loss of tasks regarding financial communication were accepted as a given at KLM, but this was not compensated by restraint of power with regard to the joint tasks, where Air France was also seen as dominating. An employee at Communication, when talking about a joint project in year 4 remarked: *'They [people from Air France] all of a sudden started to force things. [...] looking at the history and the sentiments and emotions of the people [...] that gives friction'*. This use of power was accompanied by little social interaction, as visits between the units from KLM and Air France were scarce, and also other human integration efforts were limited.

Integration of IS proved to be a difficult process. A manager told us in year 1:

*A number of subgroups have started to work in different fields, with someone from KLM and someone from Air France, sometimes two from Air France. They looked at synergy. [...] Then you see that such a project becomes a negotiation. You get negotiations at miniature level.*

. Talks in various sub-domains of IS failed to lead to a shared view, and the decision was eventually pushed back to top management in the form of an 'agreement not to agree'. As a top manager in the IS department explained in year 2: *'What it's about is that you put on the plate of the Top Management Committee that this is a large backbone operation and that both organizations are incapable of doing it [i.e., making the integration plan]'*. Top management still refrained from exercising strong power, and came up with a new general outline, specifying which of the two firms would have the lead in each line of business. This did not put an end to the disagreements, however, and discussions and negotiations continued in a progressively tense atmosphere: *'Then it's knocked down again and this gives room for another discussion. At the same time the relationship between people from Air France and KLM was not good, not only at the top but also at lower levels, people distrusted each other'* (ex-top manager looking back at integration at IS in year 7).

The integration outcomes were mixed. At Communication the displacement of tasks was realized, but there was no effective coordination of joint tasks. At IS the selection of applications, which entailed both displacement of tasks and coordination of joint tasks (in case of developing a new tool or establishing specifications of a tool to be bought on the market) was much delayed. In line with this, soft integration outcomes at both units were poor. An IS employee in year 3 said: *'You see that the battle has become tougher. There is no room for give and take anymore. We both defend our own stakes'*. Communication employees experienced the collaboration with Air France as difficult and not improving over time. This resulted in decreased motivation and an unwillingness to make compromises regarding the joint tasks. Many interviewees expressed intentions to leave: *'If every form of internal communication has to go via Air France I will leave the company within one year. Really, I cannot work in this way'* (KLM Middle Manager Communication, year 2).

*Coordination/alignment.* The two cases for which a light form of integration was planned, Control and Network, went through a very similar process. A few tasks have been shifted from KLM to Air France, but for many tasks there was alignment of procedures and processes. Alignment following the Air France model was prescribed top-down by top management in the case of Control (this alignment was unavoidable given that the holding company was registered in France). In the interactions between the units, Air France was sometimes perceived to try to dominate and confront KLM with accomplished facts. In at least one case such a conflict was escalated to top management, and that helped:

*In the project they told us: we actually already decided how we are going to do it. [...] I couldn't come to an agreement with the project committee. My boss and his counterpart also couldn't come to an agreement. So then you go to the highest level. There they said, OK, we will do it like this in this project, but on April 1, 2006 we will start a new project to get more equality.* (KLM Project Manager, year 2)

For Network the acquisition meant that the work became considerably more complex: *'You need to look not at one network but at two, and not one bottom line but three – the two companies and the combination'* (KLM Top Manager Network, year 2). Air France was seen as 'a powerhouse,' the stronger party, without this leading to negative feelings among KLM employees. A few highly visible clashes about new destinations occurred, but *'the important thing is: how do you handle such a fight together? And then you become a group, in spite of the struggle'* (KLM Top Manager Network, year 2). In both Control and Network there were quite extensive formal and informal social integration activities. For example, in the first year of the acquisition Network already participated in an exchange; one KLM planner went to Paris, and one Air France planner to Amsterdam.

The outcomes of the integration process were positive, both at Control and Network. In the latter case, although the interaction was seen as a constant process of negotiation, overall both companies were interested to learn how the other works, and *'in 80% of the cases there is a thorough discussion of contents, give and take, and weighing of arguments'* (KLM Scheduling Manager, year 2). At Control there also was some competition, *'some kind of pride to show that we are just a bit faster [...] it is more like some kind of sport'* (KLM Top

Manager Network and Control, year 4). Yet, the intended alignment and coordination was achieved, and there was a positive atmosphere supporting the collaboration.

*I think it was nice to realize the quick wins, quickly doing things without creating an uproar in the entire organization. But I think we can cooperate in many more things. There's still a lot in it, in the future.* (KLM Manager Reporting and Control, year 3)

*Minimal integration.* Finally, there were two units where only minimal integration was envisaged, limited to the coordination of operational approaches: HR and PRM. The operational human resources functions of both companies remained almost completely separate, both for legal reasons and because little or no synergies were expected from their integration. While there was little task integration, HR did play an important role in facilitating the integration of other functions and departments. Important activities that were performed by the departments of Air France and KLM together included the organization of an exchange program for young managers, cross-cultural workshops, and joint management training programs.

The differences between the market positions and underlying philosophies of KLM and Air France were the main reason that PRM was kept separate. *'If the model changes from "one group, two airlines" to "one airline" only, then we will have to integrate [...] pricing & revenue management'* (KLM Market Manager PRM, year 4). In the first few years of the acquisition there was an emphasis on learning from each other and align in as far as the corporate segment of the market is concerned. Preliminary work on a common revenue management system was started, but this was not finished during the observation period.

There was no dominance by either of the companies in these two integration processes. At HR, joint tasks (like joint management training programs) were given shape bottom-up, and without dominance from the side of Air France. Occasions for informal social integration activities between Air France and KLM HR units were utilized to the maximum. This was considerably less strongly the case at PRM.

Overall, the integration ambition was exceeded at HR. At both units positive soft integration results were also realized: *'I have cooperated a lot with the French, and I notice that they also really make an effort to understand us ... So I see the cooperation become better and better'* (KLM Senior Market Manager, year 4) and *'I have the feeling that the KLM people really see the joint company'* (KLM Middle Manager HR, year 2).

### **Cross-Case Comparison: Integration Processes at Air France-KLM**

As the integration patterns illustrate, the integration intentions, the use of power, and the deployment of social integration efforts varied across the cases. These dissimilarities led to differences in intergroup interaction processes, both in terms of intensity of interactions and the nature of intergroup processes (i.e., focusing on fleshing out joint tasks or negotiating over separate tasks). Finally, we see that this led to more positive or negative task integration outcomes and that it affected the quality of collaboration. Below we discuss in detail these comparative characteristics of our cases.



*Integration intentions.* In all the observed units we found that the integration intentions by top management set the stage by deciding who would do what and where. In most units the decisions were clear: integration into joint tasks at Sales Offices and Cargo, alignment following the Air France model at Control, and keeping operational tasks separate with some limited joint tasks at HR and PRM. At Communication, IS and Network we see a different picture. Some of the tasks of Communication were clearly allocated to Air France, but other tasks needed to be performed in part jointly, in part separately, without much specification. In the case of IS the nature of the decisions to be made (what application to select for the combined companies) suggested allocation of separate tasks, with not much emphasis on joint tasks. A top manager at Network explained the complex situation in this unit: *'We have to think KLM but act as a group. This is really contradicting. The direction we get is rather ambivalent. Sometimes it's this and other times it's that'*.

The concept of integration intentions as it emerged out of our data is multidimensional, encompassing integration of activities into joint tasks, allocation of separate tasks, and alignment and coordination of tasks. Nevertheless, in terms of how disruptive the degrees of integration that we observed were to the employees, we can rank them from full integration (including co-location decisions), through displacement of tasks (i.e., a combination of joint and separate activities) and coordination and alignment (i.e., just alignment of procedures and processes) to minimal integration in which most functions remained separate. Generally, the stronger the intended integration, the more active top management will need to engage in order to realize this.

*Use of power.* This brings us to the second characteristic that differed between the cases: the use (versus restraint) of power by top management in general, and by the acquiring firm in particular. We observed that integration decisions were often taken in a top-down manner, but in some units management left much more room for bottom-up decision-making than in others. For example, at both Sales Offices and Cargo the decision to integrate was made in a top-down manner. However, subsequently a lot of leeway was given to the units to design joint task approaches bottom-up. This stands in contrast with what happened at Communication, where there was also a top-down decision, in this case about the displacement of tasks, but this was not followed by collaborative work on joint task design. Yet another pattern was visible at IS, where just as at Communication the intention was to selectively displace tasks, but here top management chose a bottom-up approach. We have seen that this did not lead to a smooth integration process.

*You actually got the discussion that down to the lowest level people feel they have to defend things. [...] People simply are worried, because if I give away this what will I get back for it? (KLM IS Pricing Manager, year 5)*

A second aspect of the use of power pertains to dominance of the acquiring company, Air France. This was avoided in Sales Offices and Cargo, where full integration was pursued, and also in those units where minimal integration was aimed for. The cases in-between full and minimal integration are more complex. In the integration of Communication, Air France used its authority of ownership in deciding that certain types of communication would be performed by the Air France unit only, and at Control Air France decided

that its financial reporting model would be used for consolidation at the level of the holding company. But in both cases these decisions were at least partly based on legislation. Overall, it is striking that Air France tried to avoid dominating the integration process.

A final aspect of the use of power is the balance of power between Air France and KLM at the level of the units. At Sales Offices, there generally was a balance of power between the groups from the two companies:

*Actually, AF is the much bigger company, they have a lot more staff, they have a lot more marketing power. The sales power of AF is just bigger. But as far as the staff is concerned, I don't see any behavior of AF staff that would represent that: feeling superior, big brother is coming. (KLM Indoor Sales Manager, year 2)*

There was also a balance of power at HR and PRM, which is not very surprising, as no strong integration or displacement of tasks was intended. At Cargo we observed more signs of power struggles, but overall there was a balance, although many KLM employees expected Air France to become dominant in the longer run: *'In the end – and I'm just being very realistic – there have not been many mergers in the past where the buying party did not ultimately called the shots. Not one'* (KLM Area Manager Cargo, year 4).

KLM Communication members perceived that the Air France department tried to dominate in the limited tasks to be executed jointly. At Control, although dominance by the Air France unit was initially avoided, Air France was seen as increasingly exercising its power in the course of the integration process: *'It's getting more and more dominant from the AF side. We have to adjust to their way of working'* (KLM Senior Controller, year 2).

*Social integration efforts.* In almost all the cases we studied, management to some extent employed soft integration measures, both informal and formal. Yet at the Sales Offices, these efforts were much more intensive than elsewhere, especially after the teams from Air France and KLM became co-located under one roof. A sales agent at one of the international offices explained how purposeful social integration efforts helped in fostering interaction with Air France members: *'Every week we have a sales "powwow" where within one hour we quickly share the main objectives for the coming week. Then we also look back at the successes or failures of the last week just to force a little bit of communication'*. In contrast, there were few or no social integration efforts at Communication that could have smoothed the cooperation after implementation of the top-down task allocation decisions, and this hampered progress in the joint tasks.

At HR, where the overall decision from top management was to *not* integrate operational activities, the social integration efforts helped employees from both sides develop increasingly warm relations and engage in progressively more intense collaboration. Wherever possible HR managers used opportunities like international meetings to also work on informal social integration. An example is provided by the HR manager in year 2: *'We have skied together once, we have been in Tunisia. So we did do some things. I also think that it helps, it is really necessary'*.

At the end of our observation period, members from other units also began noticing the importance of social integration: *'We have to devote more time to the personal relations between*

people. *Very simple things, for example, how do meetings work? We have to pay attention to the informal contacts. Otherwise it [forming group cohesion] won't work* (KLM IS manager, year 4).

*Intergroup interaction.* We noticed differences in intergroup interaction between the units along two dimensions: the level of intensity of the intergroup interaction processes (both in terms of interaction frequency and the number of individuals from both sides that were involved) and whether these focused primarily on separate, or on joint tasks. Intensity of intergroup interaction was influenced by both hard and soft integration efforts. The decision that the Sales Offices would be co-located and fully integrated naturally led to intensive intergroup interaction, which was further stimulated by formal and informal human integration activities, as we have seen above. At the other extreme, the tasks of HR remained largely separate, but nevertheless social integration efforts stimulated interactions between Air France and KLM. Intergroup interactions in Communication and IS remained restricted by design, and the low level of social integration activities in these areas further contributed to the lack of intergroup interactions. The intensive formal and informal social integration activities in both Control and Network, on the other hand, affected the intensity and outcomes of intergroup interaction:

*We had workshops for a limited number of employees in our department but now we also included the others. We ask questions such as 'what do you think works well and what not?' You create an open conversation, plus sensitivities at both sides are discussed. You see that people really listen to each other. This worked great.* (KLM Top Manager Network, year 2)

The other characteristic emerging from the integration patterns pertains to the focus of the intergroup interaction processes. In the Sales Offices and Cargo units, Air France and KLM managers focused on joint tasks, together designing new common working methods. At HR the opportunity for working on joint tasks, although much more limited, was used to the full extent. Because of this, negotiation over the allocation of separate tasks was not salient in the interactions between these units from KLM and Air France. At Communication, there was little or no scope for bargaining over separate tasks (because this had already been decided from the start by top management). Consequently, interactions between KLM and Air France focused mainly on the tasks that needed to be performed jointly. However, this process did not evolve very smoothly. IS stood out in this dimension, with a strong emphasis on bargaining over separate tasks, and the stakes were seen to be high. As a manager in year 1 indicated: *'We seriously had the option that our computer center would be closed down in the near future. That was one of the variants. You can imagine that would have hefty consequences'*.

*Task integration outcomes.* As described above, integration intentions, use of power and social integration efforts influenced the intergroup interaction processes in the post-acquisition integration phase of Air France-KLM. Ultimately, this led to divergent outcomes in terms of task integration. Overall, the integration ambition was exceeded at HR. Although only minimal integration was envisaged, joint activities were increasingly developed: *'[...] new activities of course, that we started up, for example the management exchange program, in which young managers from KLM and Air France started to work for two years in each other's*

*company, on real positions. We also do something with education'* (KLM Manager Organizational Development, year 2) and *'we are going to build a European works council'* (KLM Top Manager Human Relations, year 2).

Full task integration of Sales Offices was accomplished and although the process was slower at Cargo, they had made good progress by the end of our study: *'I think we really have made some steps in the integration. At every country in the world we now have an Air France-KLM office. Moreover, we established some clear common guidelines. This helps'* (KLM Cargo Manager, year 5).

At Communication the displacement of tasks was realized, but there was no effective coordination of joint tasks. At IS both the selective displacement of tasks and coordination of joint tasks (in case of developing a new tool or establishing specifications of a tool to be bought on the market) was much delayed:

[They] *have never reached full agreement within IS, but they did reach 90% agreement. Then the business units said: 'we don't want it like that'. Then everything is blown up again, it offers room to parties to open up discussing everything.* (ex-HRM manager looking back at integration at IS in year 7)

Finally, at both Control and Network the intended alignment and coordination has been achieved.

*Collaborative intentions.* The weak or strong collaborative intentions that emerged in the observed units were exemplified in various ways. Evidence for the quality of collaboration emerged in a positive sense when, for instance, there was a willingness to cooperate (*'there is enthusiasm, motivation to make this work'* – KLM Sales Offices manager, year 4), or when employees expressed support for the merged company (*'I think that the thing that matters is that we are successful and that we make money'* – KLM Sales employee, year 5). They were also evident, however, in a negative sense when informants described intentions to leave: *'[about turnover] it's bizarre. I have never witnessed it so severe'* (KLM Communication employee, year 4).

At Sales Offices, Cargo, Control, Network, HR, and PRM members were willing to stay in the combined company and together make the integration work: *'It's quite impressive that there is definitely willingness to make this relationship and this marriage last, and everyone is involved, they [Air France employees] are also committing'* (KLM Manager Customer Care, year 4). People expressed an increased employee buy-in at the end of our observation period: *'There is a positive development going on in this collaboration. And this results in moving on and learning from each other. It turns out that in certain markets this is for the better'* (KLM Senior Market Manager, year 3). In contrast, managers and employees at Communication were cynical about the acquisition and some intended to leave the company. Finally, at IS, employees increasingly talked about spoiled relationships with members of the other company: *'They [Air France] claim that we lack trust in the combined company, that we are only interested in our own results. They blame us for everything'* (KLM Top Manager IS, year 3).

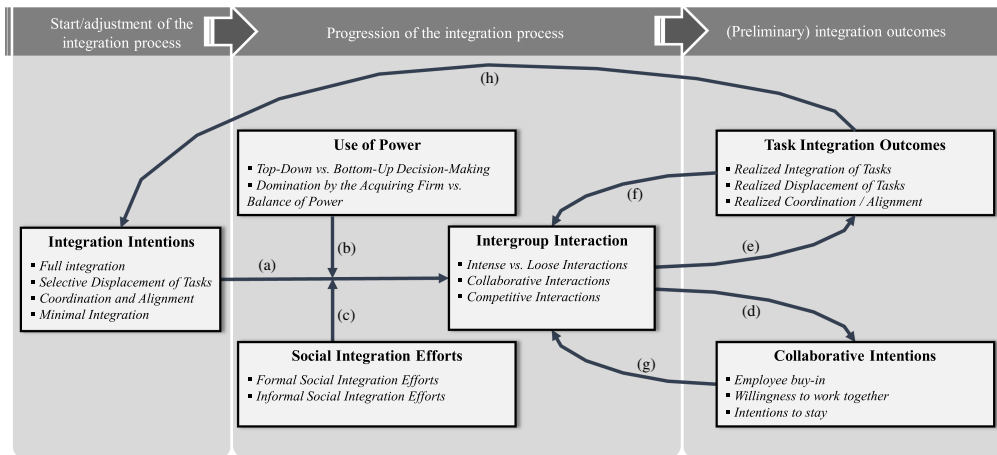


Figure 2. Emergent process model of post-acquisition integration

### Towards a Dynamic Model of Post-Acquisition Integration

Our findings suggest that for successful integration, with positive outcomes for both the realization of synergy and ensuring the cooperation of employees, managers must employ a mix of elements of hard and soft approaches and match this mix with the requirements of the intended integration process. In what follows, we pull these insights together into an empirically-grounded process model that illustrates how the key components of post-acquisition integration management work together, thus providing the foundation for a deeper understanding of why some (units in) acquisitions succeed while others fail (see Figure 2). In the following, we expound on this model and integrate our findings into the existing literature.

Our study suggests that top management's integration intentions, together with the use and restraint of power and social integration efforts, play an important role in shaping the interaction processes between groups of employees from the acquiring and the acquired firm (arrow 'a'). These intergroup interaction processes can have the characteristics of (integrative) intergroup interaction or (distributive) intergroup competition. Negotiating over separate tasks is associated with distributive behaviors, like competition, attempts at persuasion, and the use of threats (Beersma and De Dreu, 2002). In contrast, negotiating over joint tasks, involving the design of something new, rather than carving up existing jobs, leaves open more room for integrative behaviors, like exchange of information regarding preferences and priorities and collaborative creation of value (Beersma and De Dreu, 2002).

Our cases show that there are advantages of top management making clear integration decisions early in the integration process. This pertains to joint tasks, but certainly also to separate tasks. The literature on problems encountered in mergers between equals (Meyer and Altenborg, 2007; Zaheer et al., 2003) illustrates the problems ensuing from not making clear hard integration decisions. If everything is left open to bargain about, members of the two firms can all too easily become bogged down in endless haggling.

Even if the integration of tasks made by top management happens to be suboptimal, its net effect might still be positive as it can help avoid excessive infighting.

Top management can also influence the intensity of intergroup interactions through the use of power, by defining how much there is to deliberate or negotiate about (*arrow b*). In fact, we observed that restraint of power is crucial, for several reasons. First, top management of the acquiring firm often cannot effectively prescribe how joint tasks need to be given shape because they lack the fine-grained knowledge necessary for this (Moore, 2011). Secondly, giving some leeway to lower levels to decide on joint tasks gives more room for positive interactions and contributes to employees' sense of ownership (Castañer and Karim, 2013). Restraint of power by the acquiring firm was exemplified in our case study by not disproportionately giving positions of power to acquiring-firm managers, or by not only selecting acquiring-firm tools or procedures. This could also help avoid perceptions of loss of relative standing (Hambrick and Canella, 1993) and promote identification with the post-merger organization (van Knippenberg et al., 2002). Our cases suggest that if the use of power by top management is necessary (and that is likely to always be the case when relatively strong integration is pursued), it is wise to first exercise power (by deciding that units will go together or by allocating tasks to units), and then restrain power (by letting units work our joint tasks together and by avoiding dominance by one of the two companies). Starting with restraint of power may bring about an intergroup dynamic that makes later use of power only more difficult and painful (as the integration process of the IS units showed).

A third element of integration management is the use of formal and informal social integration measures. Although the integration intentions of top management shape the interaction processes between members of the acquiring and acquired firm, positive interactions can be reinforced and negative interactions mitigated by social integration management (*arrow c*). For example, we have seen that competitive interactions became less abrasive at Network due to quite extensive formal and informal social integration activities, whereas collaborative processes became more intense at the HR units, despite the fact that top management envisaged only minimal integration.

Finally, our study demonstrates how the different nature of intergroup interaction processes impacts on both hard and soft integration outcomes, both of which are important for the success of acquisition integration. Characteristics of intergroup interactions are important among other things because they influence the quality of collaboration (*arrow d*). The 'good collaboration' that we have seen in some of the units studied integrates various employee-related aspects of post-acquisition success discussed in the M&A literature, such as employee buy-in (Monin et al., 2013), willingness to collaborate (Marmenout, 2010), and intentions not to leave the acquired company (Rafferty and Restubog, 2010). Intergroup interaction processes can lead to reduction of prejudice and bias (Allport, 1954), and extrapolating from this we can surmise that interactions between groups from the acquired and the acquiring firm increase the knowledge that both groups have of each other, increase their empathy and their ability to take the perspective of the other group, and will reduce anxiety associated with intergroup interactions.

It is evident from our study that intergroup interaction processes also impact on the realization of the intended integration (*arrow e*). Where the emphasis is on joint tasks, it is important that intergroup interactions remain of a positive, integrative nature. While

interactions over joint tasks are by their nature less divisive than negotiations over shifting tasks from one firm to the other, there are still many opportunities to haggle over details (as we have illustrated in the case of Cargo). It is important to mitigate such tendencies by investing in social integration (Birkinshaw et al., 2000; Teerikangas et al., 2011). In case of displacement of tasks from one firm to the other, it is important to do this in such a way that negative intergroup interactions are avoided. This can be done by offering a good rationale for the shift of tasks, and by making sure that it is not followed by dominating behavior of acquiring-firm employees in subsequent interactions (Meglio et al., 2015). If this is not done, the displacement of tasks may be effective, but subsequent coordination or alignment is hindered. Finally, for those units where integration consists only of coordination or alignment of tasks, it is less difficult to promote positive intergroup interactions, and to the extent that this succeeds this is likely to have a positive impact on the integration outcomes (Gleibs et al., 2010).

In an ongoing post-acquisition integration process, there will be feedback effects from the hard (*arrow f*) and soft (*arrow g*) integration outcomes to intergroup interaction processes. Positive experiences in earlier interactions will help in future interactions, but negative experiences will also be carried forward. An example of the latter can be found in our IS case. The initial interaction processes had eroded the willingness to collaborate among IS managers and employees and this hindered a shift to a more integrative interaction process when top management tried to restart the process, as by this time managers and employees at both sides were already in a fighting mode. This recursive effect is in line with intergroup theory looking at dynamic feedback loops (e.g., Mackie et al., 2009), as well as with literature that suggests that post-acquisition integration is a dynamic and cyclical process (Monin et al., 2013; Teerikangas, 2012).

We further believe that there are feedback effects from task integration outcomes to future integration intentions (*arrow h*). The social system involved in organizations, in particular post-acquisition integration, has a memory: the outcomes of hard integration decisions taken earlier in terms of actual changes in the way in which the work is done will influence subsequent hard integration measures (e.g., Monin et al., 2013). Top managers may introduce new integration measures later in the process, or alternatively may refrain from doing so if they think the integration achieved is sufficient. An example of a positive feedback loop can be found at Sales Offices, where the mutual goodwill among employees built up in discussing joint tasks early in the integration process formed a springboard for further smooth integration once the various offices were co-located and put under common management.

## DISCUSSION

In diving deep into the managerial actions and processes that occur during post-acquisition integration, our data collection and analysis have afforded us the opportunity to develop theoretical and practical insights into the dynamics of post-acquisition integration. Our study makes two main theoretical contributions. First, we answer the call for more research on the dynamic nature of integration processes. Our cases show that the effects of hard and soft integration decisions do not immediately lead to integration

outcomes, but set in motion intergroup interaction processes that influence both the realization of synergies and collaborative intentions. These outcomes, in turn, influence the further integration process. This is particularly true for collaborative intentions, which if absent may severely hinder further integration. Intergroup interaction processes may promote as well as block progress towards the integration goals set by top management. Decisions by top management may be intended to target integration outcomes directly (e.g., shift tasks from one organization to the other). But if the influence of these decisions on intergroup processes is not recognized, the outcomes may be very different from what was envisaged. Hence, the defining characteristic of our process model of post-acquisition integration is the role of intergroup interactions.

Although the importance of intergroup interactions in post-acquisition integration seems intuitive, this factor has been mostly neglected in the literature. To the best of our knowledge, this aspect has been studied in only two earlier studies. Gaertner et al. (1996) re-analysed data from a bank merger survey and found that intergroup anxiety was influenced by mental representations of the merged organization (as one group, two subgroups within a larger group, two separate groups, or separate individuals). These mental representations, in turn, were influenced by the 'conditions of contact': 'the degree to which partners to the merger held equal status, the degree to which egalitarian norms existed, perceptions of positive interdependence among the banks, [and] opportunities for interaction' (Gaertner et al., 1996, p. 282). Lupina-Wegener et al. (2015) conducted a longitudinal study of a merger between Mexican subsidiaries of two different European multinationals. They found that both interactions within the new merged organization and between that organization and the 'outgroup' (corporate and regional headquarters) stimulated the formation of a shared identity. In the interaction process between the two merging subsidiaries, construction of superordinate goals and increasing permeability of the boundaries between the groups had a positive effect.

These two studies suggest that intergroup interactions play a crucial role in post-acquisition integration processes. Our study adds to this by illuminating the concrete measures that top managers can take to induce positive intergroup interactions. It also illustrates what top management needs to avoid doing (e.g., bringing groups into a situation of bottom-up negotiations about jobs). Moreover, our study not only points to psychological outcomes like intergroup anxiety or shared identity, but also cooperative intentions that will be essential for the continuation of the integration process, as well as outcomes related to the actual integration of tasks.

We believe that our finding that intergroup interaction processes mediate the effects of integration management measures is crucial. Top management involved in post-acquisition integration might suspect that such processes are important, but they are less likely to fully comprehend how their task-oriented integration interventions can also influence these intergroup interaction processes and, hence, indirectly the integration outcomes (task as well as human-related). While we reflect on the managerial implications of this insight below, we want to stress the point that this finding implies that post-acquisition integration may be rife with unintended consequences, something rarely considered in the literature (for exceptions, see Ager, 2011 and Vaara and Monin, 2010).

Based on our cases, we theorize that the intended level of integration, the use and restraint of power, and social integration efforts interactively shape intergroup interactions.



Particularly important is the combination of use and restraint of power if a high level of integration (full integration or displacement of tasks) is pursued. In this situation, it is important to promote positive intergroup interactions; this can be done by being decisive in using power to set the goals regarding full integration of task allocation, in combination with restraint of power, to allow for constructive bottom-up decision-making. Hence, our analysis implies that if top management needs to apply power (and this will nearly always be the case if significant integration is sought), it is best to first use power, and subsequently restrain the use of power. This is valid both for decisions taken by top management as for behaviors lower in the merged organization, where perceptions of dominance by either of the parties need to be avoided. Investment in social integration can support this process.

Second, we correct the tendency to characterize post-acquisition integration processes in general terms, seen as valid for the entire post-acquisition integration. Schweizer (2005, p. 1052) has called this the 'one-size-fits-all solution'. We instead show that different units within the same organization will perceive the integration process differently, suggesting that post-acquisition integration can be characterized as both slow and fast, complete and incomplete, forced and yielding, depending on the units and the phase of the integration process. In some cases, organizational units differed unexpectedly in the extent to which they were able to realize synergies and cultivate collaborative intentions. This was mostly based on diverging integration objectives and combinations of hard and soft integration processes, suggesting that such differences (including those experienced across acquiring and acquired firms) are a critical component of understanding post-acquisition integration. Hence, we encourage M&A scholars to focus on understanding the complexity of integration across different units within an organization.

### **Implications for Practice**

Our study also provides a number of important implications for practice. For example, it emphasizes the importance of making clear integration decisions early in the integration process. This may seem self-evident, but managers need to understand that these early decisions, presumably based on an analysis of how cost and revenue synergies can be realized, will also set off a dynamic integration process. When making hard and soft integration decisions, management needs to consider the possibility of positive (inter-group interaction) and negative (inter-group competition) consequences. These dynamics can be mitigated or aggravated by the use of power and internal social and formal integration efforts.

Moreover, bringing departments together to bottom-up elaborate the design of joint tasks can be very productive, bringing about 'new solutions ... that no single party could have envisioned or enacted' (Gray, 1989, p. 16). But this requires a well-considered combination of top-down allocation of separate tasks, as well as room for bottom-up fleshing out of joint tasks, while practicing a balance between use and restraint of power.

Another implication concerns the role of human integration management. Managers should realize that social integration efforts, while important, cannot fundamentally change the dynamics of intergroup interaction processes when units are pitted against one another. Soft integration management is no catch-all solution for problems caused by an ill-designed hard integration process.

Finally, when designing the post-acquisition integration approach managers need to take into account not only the direct effects of hard and soft integration decisions, but also the indirect, long-term consequences through the recursive relationship between intergroup interaction processes and post-acquisition outcomes. This requires a degree of foresight from managers that often seems to be absent. Taken together, our study illustrates how to effectively intertwine hard and soft integration such that their effect on the outcomes of the integration effort are positive for the acquisition as a whole.

### Limitations and Future Research

Our study has boundary conditions and limitations that need to be acknowledged. First of all, we studied a single case, with some unique characteristics. One of the most important of these is that the cross-border acquisition we studied was managed in a very friendly way, as a symbiotic acquisition. Hence, our findings may be most applicable to the integration process following this type of acquisition. More studies are necessary to ascertain whether generalization to other types of acquisitions is possible, including domestic deals and forward/backward integrations. However, we think it is likely that the elements we have identified would also play a role in other organizational integration processes in which both hard and soft integration are of crucial importance. In fact, our findings on the combination of use and restraint of power would be most applicable to situations in which a high level of integration is sought, such as an absorption type of integration approach, in addition to the symbiotic cases (Haspeslagh and Jemison, 1991). Relatedly, some of our findings – such as the HR case where the overall decision from top management was to not integrate the units – would also apply to a preservation type of integration approach (Angwin and Meadows, 2015; Haspeslagh and Jemison, 1991).

Connecting the post-acquisition integration literature to the more general literature on large-scale organizational change could further lead to better insights on both sides (Steigenberger, 2017). This is particularly relevant in the case of far-reaching organizational change projects in which the internal boundaries of the firm are redrawn. Just like in post-acquisition integration, top management must in such processes decide to what extent the redrawing of boundaries and the allocation of tasks will be performed top-down, and what degree of freedom for bottom-up elaboration will be permitted. Our theory of post-acquisition integration would, by looking at characteristics of the integration intentions, hard and soft integration elements, and the consequent interaction processes between organizational units, enable researchers to predict the conditions under which the positive effects of structural recombination would be more likely to be produced, and under what conditions the negative effects would be more likely.

We have focused on the separate integration processes in eight different units, but abstained from exploring possible cross-influences between units and paid less attention to the overall integration between Air France and KLM. Future studies could look at how integration successes and failures in one particular unit impact on the process in other units. Furthermore, time and social perceptions of time play an important role in the management of M&As and the integration process. As researchers we have to be careful about how the chronological time and the experience of time (of events happened) influence each other. Moreover, although we followed the post-acquisition integration in

Air France KLM closely during almost four years, the process was still far from finished at the end of our study. More recent developments suggest the persistence of strong fault lines across the organization, along the lines of French and Dutch nationalities (d'Iribarne et al., 2020, chapter 6). However, we leave assessment of these recent events to future research, as our interest in this study was not so much in the long-term fate of Air France KLM, but in the more general characteristics and dynamics of post-acquisition integration.

The notion of integrating different aspects of an organization, or even different organizations as in our acquisition case, is a compelling one in a business world full of transformative change (Graebner et al., 2017; Steigenberger, 2017). However, current theoretical approaches to conceptualizing and modelling integrative processes fail to consider the dynamic nature and full picture of both 'hard' and 'soft' aspects to the integration process, leaving us with an impoverished understanding of this key organizational phenomenon. Our study begins to provide some clarity to what a complete theoretical picture could look like. We see our emergent theory as a critical step towards a more complete theoretical understanding of organizational integration processes. Further research is clearly needed to more fully explore the relationships between the various elements in our theory.

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