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Managing Continuity: Dealing with the experience of being target in a take-over

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The paper will be presented by Jan E. BOUWEN, doctoral student

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Based upon literature on innovation and strategy, the experience of being target in a take-over is studied from a process perspective at a local office of the acquired parent company. Through a case study the impact and importance of the management of continuity provided by the local management is illustrated.

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Introduction

In general an acquisition process can be approached from different perspectives. The *capital market view* focuses on the question whether mergers and acquisitions do create wealth, and if so, for whom (Datta, Pinches, & Narayanan, 1992). The *strategy perspective* identifies and evaluates opportunities for acquisitions from the “strategic fit” between the suitor and target firm(s) (Singh, & Montgomery, 1987), referring to general characteristics such as industry, market, customer, finance or technology (Rappaport, 1979). The *organizational behavior approach* examines the effects acquisitions have on individuals and the organizations they are in (Schweiger & Walsh, 1990). Whereas the first two consider acquisitions as something intrinsically positive (Jensen, 1984) either for the economy (“capital markets”) or the concerned individual firms (“strategy”), the organizational behavior approach has drawn our attention to the negative impact acquisitions can have on the individuals involved (O’Neill, & Lenn, 1995; Schweiger, Ivancevich, & Power 1987).

The compilation of empirical evidence from the three perspectives has led to the conclusion that a strategic and an organizational fit between firms may constitute a necessary but not sufficient condition for a successful acquisition. The *process perspective* acknowledges that the acquisition process itself is a potentially important determinant of acquisition outcomes (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986a, Jemison & Sitkin, 1986b). An acquisition is more than a simple adding up of two or more previously distinct entities. As the acquisition proceeds all parties concerned evolve and contribute to the creation of the new entity. The capital market, strategy, and organizational behavior approaches study the inputs and outputs of the acquisition process, while paying little or no attention to the dynamic qualities of this process itself. Already in 1962 Mace and Montgomery stated: “Each organization acquired is composed of a unique combination of human and physical assets, and it is the job of the acquiring company management to motivate and administer the unique group to achieve the objectives which made the arrangement appear to be a good deal in the first place”. From a process perspective an acquisition requires specific "process competencies" in order to create desirable outcomes and avoid negative consequences during the acquisition process. Haspeslagh and Jemison (1991) attribute the acquisition success of some firms to such process competencies, whereas acquisition failures may be due to a lack of them. Similarly Bruton, Oviatt and White (1994) found in their research on the performance of acquisitions of distressed firms "that tacit knowledge (Polanyi, 1958) about the acquisition process [...] may be key(s) to their successful acquisition.". From the case we will present here, we see no reason why such acquisition process competencies should be restricted to the overtaker.

The aim of this paper is to study the acquisition process from the perspective of a local branch of the target. Since most process studies are elaborated from the viewpoint of the "acquirer" (de Anzizu, Vansina, et al., 1992), this introduces a shift in the research on take-overs and acquisitions from the "subject" to the "object" position, from the "powerful" to the "powerless" (Sartre, 1959). Our study focuses on the specific actions a target in a take-over may undertake and on the rationale for doing so. Also acquisition studies tend to focus on the level of the global organization (Saul, 1985). Executives and consultants responsible for structuring acquisitions have shown creative expertise in putting together the legal and financial aspects of the "global deal" (Richman, 1984). Nevertheless it is at the local level where the real implementation of the merger will take place once "the deal is through". In most cases the assets which the overtaker wants to acquire are situated locally: markets, products, R&D, human resources, ... Normally this local level gets not involved until all the legal settlements are rounded off. During this period the local management operates in a vacuum. Their old "bosses" have lost authority and (have to) stop communicating with them but the new ones have not yet come in and have not yet explained their intentions. Our research concentrates on what happens at the local office during the period the acquisition is dealt with at the level of the headquarters. It is clear to us that the acquisition process is not solely confined to the corporate level, but that within the targeted organization all kinds of actions and initiatives may be initiated. The literature has paid little attention to this aspect of a take-over process, nor to the attitudes that develop in this process, and that may influence the acquisition outcomes. Once a take-over is publicly announced, the situation of the target firm is fundamentally changed. It cannot but react in some way to the novelty of the situation. This reaction may consist of a resistant attitude, or a proactive one depending on the intentions initiated by the target following the announcement of the acquisition. The resistant mode sees the acquisition as a violation of the firms' integrity and everything it stands for and attributes negative intentions to the overtaker. It can take different forms. The target may passively resist and fall into a lethargic mode reigned by the idea "let's wait and see what will come" or it may develop active resistance against the acquisition that should be fought and resisted at all costs. In a proactive mode the management of the target mobilizes resources in order to influence its future through managing the continuity of its own reality. Obviously, the future of the target will be largely influenced by the intentions of the overtaker. If it is merely interested in the targets' productportfolio or market position, little future may be involved. However, if the acquisition will lead to a transition into the new "mother firm", the target firm can prepare this future by managing its continuity. The management of the target can e.g. try to prevent that important key-people would leave in the early phases of the acquisition process (Walsh, 1988), or that the seeds of survivor sickness are sown among those who remain afterwards (Schweiger, Ivancevich, & Power 1987). We believe that the acquiring firm can benefit from such a proactive attitude at the target company, since this may reduce the loss of human capital. When the acquiring company on the other hand does not acknowledge this continuity management the benefits of it may be lost later in the acquisition process.

In the previous paragraph, we introduced the concept of managing continuity. Paradoxically, the management of continuity received most attention in the context of innovation research. The process of innovation is "The development and the implementation of new ideas by people who over time engage in transactions with others within an institutional order" (Van de Ven, 1986). However, "innovation is not confined to new technology or products. Turnarounds, take-overs, (...) and so on are at the forefront of many transformations." (Bouwen & Fry, 1988). Essential in Bouwen and Fry's (1988) view on innovation is that successful organizational revival and development is anchored in the understanding and experimenting with three behavioral aspects of everyday organizational life: (a) how novelty is introduced and transformed into compelling ideas for action (*managing novelty*), (b) how continuity is provided and maintained (*managing continuity*), (c) how transition is accomplished with commitment and excitement (*managing transition*), and how all three loci are balanced and aligned with each other.

To manage novelty properly focus should be on how ideas and innovative notions within organizations surface and are given enough discussion or consideration for people to accept or reject. Bouwen and Fry (1988) found that organizations undergoing innovation clearly need to be "open" to ideas from within and without the organization. Indeed, the novelty of something is not solely determined by its source or the seriousness of its impact on organizational functioning. Following the open-systems model of organizations (Katz & Kahn, 1978) the emphasis has drifted towards novelty coming from the environment. The aim was to recognize it quickly and consequently respond to it in a rational way. Bouwen and Fry implicitly oppose this over-rational way of proceeding by stating that "organizations capable of revival and innovation are able to "diverge and converge" throughout the process of idea formulation, concept development, design and implementation.". The concept of novelty is therefore of a plural nature. This plurality does not solely imply that novelty is not a purely rational and objective concept, but also and especially that the "decision" whether something or a situation is novel resides in the experience of the people involved. We suggest that in order to grasp fully the concept of novelty it is important to include the experience of those who are living it.

The core assumption of the management of continuity is that in any existing system, there are inherent strengths that account for what the particular system does best. In order to minimize the disruption which people experience during an innovation or reorganization, it is according to Bouwen and Fry (1988) essential to properly and correctly identify and seize these "first strengths", the "genetic pool" or the "heart of the organization". Indeed when organization members do experience that the changes that are inflicted upon them intend to incorporate the strengths that have caused them to have pride and commitment, they respond more favorably to the innovation or change. Similarly starting from the observation that too many managers and business leaders think of continuity versus change, Salipante (1992) posits that "continuity in change, provided by reliance on organizational traditions, can produce adaptation that is effective over a long time frame.". Instead of looking at the past as something that impedes change, it should enter in a symbiotic relationship with the future.

Finally, in the management of transition, planned change is not so much the issue as is managing the "changing" that people experience (Bouwen & Fry, 1988). In fact the organization must also be able to actually move, change, or transform in a clear, orderly fashion even if the final goal or objective is still a moving target. Consequently, Bouwen and Fry (1988) distinguish three aspects in the concept of transition. First, there is the need for a balance or trade-off in choices about planning versus articulation: How does one elaborate and sequence tasks in such a way as to give needed direction and yet remain flexible enough to alter plans in response to people's experience or objectives, keeping in mind the Hannan and Freeman (1984) remark that organizational change is largely uncontrolled. Second, there is the need to create "coincident meaning": how does one make common sense from the multiple realities of those involved so that they move toward something in a collective committed manner? And thirdly, there is the need to ensure that organizational learning occurs: that the people involved not only understand what they are doing with respect to a project or a new idea, but that they also consider what is to be learned about how their organization or system goes about changing itself.

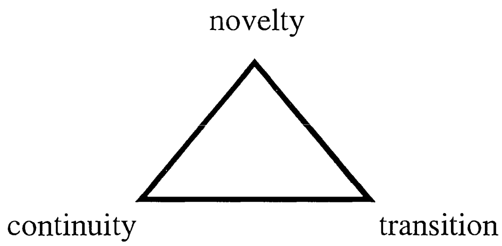

Figure 1: organization renewal and development triangle (Bouwen & Fry, 1988)

In case of an acquisition it is clear that the take-over constitutes a major novelty for the target firm, requiring a transition that is loaded with uncertainty. Managing continuity in such a context implies identifying and reinforcing those aspects of the day-to-day operations which create in every employee enough of a sense of stability and security so that they can work to their potential (and not have to worry about the uncertainty of future changes). The purpose of doing this is to ensure that core tasks are performed at desired level. Eventually, when the intentions of the overtaker are made clear and implementation begins, all this will allow the local office to create a shared understanding of and commitment to the changing effort. By managing this transition in such a way, energy can be mobilized toward a newly negotiated state of affairs, even in a condition where people are confronted with extreme novelty, and an uncertain transition.

Finally this case study is a significant event in the sense that it underlines the compatibility of organizational development and strategy in dealing with the dynamics and actions that develop at the local level of a multi-business organization during a take-over. Whereas the organizational development approach concentrates more on the *relational* dynamics that do develop between the actors involved, The strategy approach stresses the structure-aspect of the take-over: the importance of having and elaborating a *rational* plan. The tendency of the strategy approach to stress the transition is elegantly and effectively counterbalanced by the attention for continuity by the organizational development approach. If this balance is seriously disturbed, the change will be experienced as too threatening. This can create unnecessary turbulence and confusion resulting in a diminishing personal identification with work and/ or the organization (Bouwen & Fry, 1988). Therefore the combination of both the relational / continuity aspect and the rational / transition aspect of a take-over in the process approach (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986a,1986b) leads to a more integrated and effective concept to deal with take-overs for researchers as well as practitioners.

In a sense, this study was accidental. Initially, the researchers were preparing a study of the integration process in a local sales branch following an acquisition by the multinational parent company PYRCO USA (*) . Their intention was to study the development and the functioning of an integration committee. It consisted of local office members of the acquiring PYRCO as well as the newly acquired crop protection (CP) division. The main task of the integration committee was to plan, initiate, and monitor the actual integration of day-to-day operations. In the midst of these activities, the news came that the parent company PYRCO itself was the object of a take-over.

This sudden and unexpected shift in perspective offered the researchers a unique opportunity of studying the dynamics of an acquisition from the perspective of the local office of the target company.

Thorough knowledge of the local circumstances and the history of the branch, personal and trustful contacts with key figures in the organization, and sheer presence allowed the researchers to obtain a vivid picture of the coping process developed locally following the take-over bid.

It is important to stress that this paper covers only and specifically the period during which the local management itself was in a situation of uncertainty. This period started when the hostile take-over bid was announced, and closed when each member of the management-team knew whether he/she could remain within the company. From that moment on, there was a significant difference in uncertainty

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(*)) Since clearance is pending, we have substituted the real names of the companies involved.

between the members of the management team and the other employees at the local office. This caused specific intraorganizational dynamics to develop and evolve which are not the subject of this paper. At the moment of the writing of this paper the acquisition has been through but the integration of these two previously distinct companies is still ongoing. It is the intention of the researchers to continue the study and the analysis of this case, focusing on different aspects of the transition towards "integration".

Description of the process of the take-over.

We will describe the process of dealing with the experience of being target in a take-over under three sections: (a) the story of the acquisition as it was received and spread in the financial press (we will call this " The Wall Street story"), (b) the reactions at the local office and the coping process that developed, and (c) the start of the implementation of the take-over at the local office which marks the end of the period of extreme uncertainty. In total this study spans a period of six months.

The Wall Street Story

In the beginning of August 1994 a "press leak" in the Financial Times (2/08/1994) disclosed that PYRCO was planning to shift its focus from human pharmaceuticals to animal health and crop protection. This would involve an asset swap with another player in the human pharma industry. As it was the middle of summer vacation nobody was really pressed to bring this swap quickly to an end. At that time, most people at the local PYRCO Benelux (Belgium, Netherlands, Luxembourg) office, including the general manager and half of the management team, were on holidays.

On the next day (03/08/1994) RCP launched a hostile take-over bid ($8.5 billion) on PYRCO. The announcement came out of the blue sky. It stunned everybody, inside as well as outside PYRCO. Although the pharmaceutical industry is known for its intense "merging and acquisition" climate, this specific take-over raised many questions among specialists and industry analysts. The questions and critical evaluations not only concerned the overtaker RCP, but also and especially the target, PYRCO.

PYRCO had just passed a financially very difficult period which had led to a significant reduction of personnel accompanied by a radical restructuring of its operations. For the first time in three years the semester result was not written in red. The product portfolio of PYRCO was described, by industry analysts, as solid but well on the way to become “outdated” in the near future. It contained no “big hit". The observation that no promising new medicine was “in the R&D tube” was not only formulated by the industry analysts. Inside PYRCO, also at PYRCO Benelux, this concern was for some time present in management discussions and began to develop into real distress.

As soon as the news of the take-over was out, all kinds of "stories" on RCP popped up in the press (Financial Times 4/08/1994; Wall Street Journal, 05/08/1994; Wall Street Journal, 10/08/1994; Wall Street Journal; 12/08/1994; Wall Street Journal, 18/08/1994; New York Times, 18/08/1994; Financial Times, 19/08/1994). Until then the company had rather avoided press coverage. Unlike many other pharmaceutical companies where science is king, it is, according to people familiar with the company, the finance department that rules RCP. So was reported the rumor that its’ chairman, who is also president and CEO, had to approve every expenditure as little as $ 1500, a process that could take weeks or even months. Within the sector RCP is legendary for its top-down-cost control system and according to industry analysts this rigid control system may have helped the company maintain a rock-solid position. An important difference indicated by industry specialists was that the main performance indicator for RCP was margin whereas PYRCO was more focused on market share.
Further, according to insiders, the global company culture of PYRCO differed considerably with that of RCP. Whereas PYRCO posited itself as a “life-sciences”-company active in human medicine, animal health and crop protection, RCP was active in many different markets such as prescription drugs, OTC medication, food products (pasta, popcorn and mustard), toothpaste, ...

The high bid of RCP also solicited questions concerning the financial implications. Financial specialists said that RCP would undertake substantial risks by taking debt to buy PYRCO, even if it sold some of PYRCO‘ s assets. Even a small decline in the development of the pharma-industry could have a substantial effect on the RCP’s future cash-flow and could therefore create a financial nightmare for the new company. Stories of stripping PYRCO of some of its assets popped up immediately. Rumors went that the agrochemical and animal health businesses would be sold to finance the take-over although their profit margins were among the best within their industry. The possibility that the generic medicine business would be sold, was also raised.

Nevertheless for some analysts the real problem with the proposed take-over was that PYRCO suffered many of the same problems RCP did. This should not surprise as Bibeault (1982) observed that distressed firms sometimes initiate acquisitions themselves in an attempt to improve resources and competitive position or to exit a difficult environment (Bruton, Oviatt, and White, 1994).

The analysts challenged the conviction that in an increasingly competitive world, all others things being equal, big is better, if for no other reason than the cost savings that usually accompany take-overs. The critique was that being big wouldn't give the new to form company the kind of breakthrough drugs that it has lacked before. RCP "is in trouble not because they are small or inefficient", said an independent analyst, "they are in trouble because they got the wrong drugs, their R&D is lousy". (The Wall Street Journal, 5/08/94). RCP was known as being among the lowest R&D spenders in the industry committing only about 8% of sales, against an industry average of 13%.

A decisive argument for RCP to launch the take-over was the growing importance of cost-conscious managed-care organizations, such as health maintenance organizations, which have begun to control a greater portion of drug spending and have forced the prices down. To make its' older products attractive to managed-care customers, RCP had to discount steeply in the near past. As a result of the take-over, a broader product line might enhance RCP's negotiating power with managed-care buyers. Also PYRCO 's generic drug business might open RCP more managed care doors. " It is been my opinion that horizontal growth is the way to go in the pharmaceutical industry" said the chairman of RCP in his commentary on the take-over (Wall Street Journal, 05/08/1994). He was eager to get PYRCO's prescription-drug business to expand RCP's productline. He saw PYRCO primarily as a portfolio of "Strategic Business Units" (Kroll & Caples, 1987). in the highly profitable pharmaceutical industry. He believed that the winners in the emerging cost-conscious environment will be those drug companies with the biggest variety of products to offer to institutional customers such as health-maintenance organizations. An alternative would be more influence over the patient care and drug selection and distribution (vertical growth), a strategy that is followed by some competitors within the industry.

In the weeks after the first announcement the "advise" of PYRCO's board to its' shareholders on RCP's bid shifted from a firm "no "to an acceptant "yes" and in the official rhetoric the expression "hostile take-over" was replaced by "friendly take-over". However, it was clear that all this did not change the power structure between the two parties. In three weeks time the context in which PYRCO's Benelux subsidiary was operating had completely changed.

It was also announced that the take-over agreement, which was subject to approval by antitrust regulators, might take months to complete while "Washington" scrutinized the combination. At the moment of the agreement both companies said they anticipated an easy approval and this within a month since the day of the take-over-agreement. Nevertheless the FTC's (Federal Trade Commission) anti-trust regulators started a long, detailed and seemingly endless audit. This forced RCP to extend its offer several times. So, although the "deal " was agreed, legally it could not be completed. This situation of "uncertain certainty" (Defrenne & Delvaux, 1990) continued to exist for more than three months from the official announcement of the take-over-deal. During this period no further decisions on the how of the take-over nor any action of RCP towards the local PYRCO offices was to be expected.

This period of suspension did raise the suspense, and rumors and fantasies, initiated by stories in the press or local gossips, multiplied. Especially the scenario which predicted in the sale of the agrochemical division was very popular. The more the CEO of RCP insisted that there were no plans to sell this division, the more probable it became. In fact every part of PYRCO was considered an ideal sale in order to improve RCP's burden of debt resulting from the take-over. Together with this scenario of asset-stripping, the nightmare of massive lay-offs was a dominant theme. Estimates ranged from 10% to 30% of the actual labor force of 78.000 within the newly merged company.

The development of " The Wall Street Story" confronted PYRCO's local management in a rather abrupt way with an extreme form of novelty. As one manager said: "Once the take-over news was known, things were not the same anymore". Even at the PYRCO's headquarters people did not really know what was going on, nor had a valid idea of what to do in this "novel" situation. Therefore the official statements on the situation from headquarters were general and extremely vague. Although the organization as physical structure and consolidation of assets had not changed by the bid, the launching of the bid caused a major change on its content and functioning. The take-over-bid demolished in one stroke the power base (and legitimacy) of the local management and put an end to the functional relationships with the PYRCO headquarters. Developing new relationships with RCP was the sole and unique way to manage this novelty. However, this relationship could not develop before the FTC would authorize to start the transition. In fact the only thing the management could do during the FTC-procedure was to sit, watch, and wait for what had to come. How could continuity be managed at the local office when there was complete uncertainty, while organizational integrity was threatened in multiple ways?

We will now describe this period and analyze how the organization tried to cope with it.

The coping process at the local office

The main activities of PYRCO Benelux (approximately 250 employees) consisted of the commercialization and the distribution of products for the health of *man* (pharmaceutical products and medical material), *animal* (veterinarian products & cattle feed additives) and *plant* (crop-protection) within the local Benelux market. There was almost no production or product R&D within the Benelux.

During the last years the management of the local office had concentrated on major issues of internal organization. First of all it put enormous efforts to realize an actual integration of the different divisions. This was done through management team building, integrating policies, developing and implementing a value and mission statement, and symbolic management. Secondly, the management worked on the implementation of quality programs oriented towards process control and integration, customer satisfaction, and employee development. These quality programs were initiated when the results of different surveys indicated that employees experienced lack of goal orientation as well as lack of identification with the company as a whole. The culture was depicted in the surveys as highly innovative and supportive but with little respect for formal rules (De Cock, Bouwen, De Witte, & De

Visch, 1984). The different attempts to improve this lack of integration concentrated on increasing the control on process and outcome for the customer and reframing human resources development within a context of the total company (identification with the local office). Within this context there was recently the acquisition and the integration of a local branch of a crop protection division.

The news of RCP's bid for PYRCO reached the local subsidiary by "silly coincidence". A friend of one of the managers who worked for a press agency faxed a copy of the newspaper article that announced RCP's hostile bid. At that moment nobody had yet heard something from the own headquarters in the USA, not even on the possible asset swap. In fact the take-over announcement preceded the news of the possible asset swap. Consequently, confusion reigned at the local office. Nobody really knew what was happening, or knew what to do. The people that were supposed to take the situation in hands were on holiday at that moment. For the local office as organization as well as the large majority of its workers this was the first time that they were the target of a hostile take-over bid. Right up until then it had always been them who took over, and consequently had been in charge of the operation. They had only a vague idea of what they should do or expect. All this emphasizes the novelty of the situation.

The first thing the general manager did, as soon as he was back from holiday, was to distribute the message that although the parent company was besieged by a hostile take-over the principal assignment was "business as usual". This message can be seen as a first attempt to ensure continuity. The same products have to be sold to the same customers by the same salesmen and the strategic and operational targets remain the same. This rational approach however fails to address the dynamic process set into motion by the extreme novelty of the external threats. The message of "although we are in the midst of a turmoil everything is O.K." was consequently overruled by the emotional upset of the people. Their main occupation was to find or produce information (rumors, gossip, ..) to fill the numerous blanks in their partial and biased understanding of the situation (Defrenne & Delvaux, 1990). They anxiously wanted to get a grip on what was going on, they wanted to find a manner to deal with the novelty that was inflicted upon them. Not only their professional situation had become more uncertain due to this take-over, also their personal, family and social life were seriously afflicted. In their experience, evidently, the latter prevailed considerably on the former. As attention and energy was fragmented over these separate and distinct aspects of life, there was not much left to be "devoted" to the company.

People started to experience a loss of identity, some became obsessed with the idea of survival (Schweiger, Ivancevich & Power, 1987). We also observed reactions resembling the five stages of the Kübler-Ross' (1969) model of coping with loss: denial, anger, bargaining, depression, and acceptance. The more the management stressed that nothing special was going on, the more suspicious people started to look after bits of news and information. The continuous flow of newspaper articles and faxes from colleagues in other local offices in which the overtaker was described as obsessed with heavy cost-cutting and margin maximizing, certainly did not provide a break from this climate. The formal announcement that the take-over was a fact made clear that the "inevitable" had happened. It was as if they were facing a feeling of "death row".

A short while after the take-over-deal was confirmed and the time horizon for the definite legal settlement was announced, a certain sense of complicity among all members of the management team, an 'us against them"-feeling surfaced. More and more the idea matured that they should not become a sitting duck, they had to do something. Not only to have their mind on something else (cf. the specific repercussions of the take-over on their personal lives) but also to be prepared for the day when the new owner or its' representatives would walk in.

Although the situation was certainly not excellent, it did provide a unique possibility to learn as active participant something about the who, what, when, where, and why of take-overs and acquisitions. Even if they personally would not survive this take-over, together with the management-team they would at least have learned something from it. Bouwen and Fry (1988) observe that in case of innovations "an implicit demand in the executive or managerial ranks of the organization to understand and make sense out of where the enterprise has been, where it is going, and how it is muddling through to that end" develops.

Here we can see that the concept of continuity can have different time horizons. In common business language "continuity" is often defined as the continuity of the day-to-day operations. The normal activities of the local office should be performed according the standards, or even better than before. This is a continuity in order to stay alive. The general manager's message of "business as usual" provides an illustration of this short-term vision on continuity. Long term survival is at that moment (not yet) an issue. How can you think about tomorrow if it all stops today? So people have to continue to do their job, otherwise the organization will come very quickly to a stop. In fact these activities are the main reason why the local office exists. Diminishing the effort in these activities is endangering the immediate day-to-day survival of the local office. The main issue of this concept of continuity is damage-control. It is of a reactive nature at PYRCO, reacting to the "threat" experienced due to the take-over and trying to "conserve" as much as possible, keeping things "the way they have always been".

On the other hand there is the continuity of the local office within the new to form local subsidiary. Where the day-to-day continuity is oriented to practical action, long term continuity focuses on the survival of the systems, processes, products, technology, ideas, values and norms that characterize the local office in different forms. Its' nature is proactive, i.e. oriented towards having impact on the things that will come. The management of this long term continuity implies that one can remember and preserve what is valuable in the organization even when things do not remain the same. It is assumed that managing this type of continuity will open people to engage in transition (Bouwen & Fry, 1988).

The initiatives taken by the local management were a clear expression of care for this long term continuity. At the same time it provided a way to cope emotionally with the novelty. When organization members experience that changes are incorporating the strengths which have already caused them pride and commitment, they will respond more favorably to the innovation or change. When proposed changes fail to appreciate the current things people do well, then the change effort threatens their sense of continuity in that system. So identifying, anchoring, and maintaining the organizational strengths not only has consequences for the power of the local office in its struggle to ensure continuity but also and especially for the morale within the local office. It gives people a reason to "fight" for. In case of PYRCO Benelux there was a certain attachment expressed towards their "mission and values" statement and their total quality policy. These things had become of a symbolic value to them. At the same time this process helps in channeling the emotions of anger and grief (Kübler-Ross, 1969) and fits into the bargaining tendency (even when there seems to be little bargaining space). So there are different reasons why this coping strategy "managing the novelty by actually managing the continuity" could have a positive impact within the local office.

The management of long-term continuity became an issue as soon as the deal was through and the feeling that a point of no return had been reached. There was no way back and this was grasped by everybody in the organization. The initiative to get out of the ruling "every-one for himself" mode was taken by the general manager who was stimulated and supported by the human resources development (HRD) manager. The surfacing of an idea and the movement of it through the organization often requires extra-ordinary effort of a single person (Bouwen & Fry, 1988). This single person distinguishes himself from the others because he is able to shift the discourse to "what could be", instead of staying stuck in "what is". The lapse of time between the final announcement of the take-over and the initiative of the managing director and the HRD manager can be partially attributed to the fact they personally had to come to an end with their own fears and uncertainties induced by the situation of novelty, before they could initiate actions towards others.

The starting point of the managing director and his management team was: "Which competences, experiences and knowledge do we possess that can be of any help in this specific situation?". After skimming through their organizational history, they hit on their considerable and varied experience as overtaker. So they inferred from this what they would ask or demand when they would be in the position of overtaker. This could then be used as a basis to start developing a dynamic and adapted response to the challenges and questions raised by the take-over.

As a result of this analysis, the management team concluded the following: (a) RCP will examine very closely what happens at PYRCO, (b) RCP will benchmark among its own and newly acquired divisions before making a decisive choice, (c) all decisions important for the local office will be taken at a considerable distance and will be based on information and data generated by the local office itself, (d) RCP is aware of possible organizational changes, (e) RCP is in need of short term profits, and (f) "we, as local office, can and will have an impact on what is going to happen with us".

In order to elaborate this negotiation position into strategy, three main action programs were initiated, which they called: (1) "business intelligence", (2) "communication management", and (3) "damage control".

The "business intelligence"-action consisted of collecting and processing a maximum of information available on the overtaker (strategic, financial, legal, operational, product, human resources, culture, business plans, future developments, ...). Secondly, everything that was going on at the local office had to be thoroughly and exhaustively documented. Not only would this improve the insight in and understanding of the own organization, also if the new owner asked for certain kinds of information it could be delivered quickly and in the way chosen by the local office itself. This would give them at least some kind of control. Finally, they developed a clear concept of how to envision, plan and organize the current activities within the new local office that would be formed. This last aspect of long term continuity in the "business intelligence" effort would prove to be of great help when the transition effectively started.

The management immediately recognized that the second pillar of the action program, "communication management", was of extreme importance. Communication had to be closely monitored on content as well as on process and developed along several principles: factual, frequent, honest, good timing, visibility, and providing valuable feedback. A very important instrument for doing this was a "merger news"-letter. The management used this letter to give everybody the same information at the same moment. The letter informed the employees on every development, even minor, of the take-over and provided honest and concrete answers to all questions raised by the employees concerning the uncertain situation. It explained nicely all the initiatives developed such as the "merger workshops" or the possibility for each individual to get personal counseling. Once the take-over deal was through, the PYRCO management distributed the same letter to the employees at the local Benelux office of RCP, of which the management immediately forbid further distribution, although the local RCP people considered it a good initiative. It informed them on how the take-over was developing, which their own management had refrained itself from doing.

The third element of the action program was "damage control". At that moment, the organization was almost functioning in some kind of a vacuum. After all there was an agreement on the take-over, but nothing could be undertaken until the FTC gave its authorization. It was business as usual but in an unusual situation. Many employees, especially competent salespeople, were approached directly or indirectly by competitors for making a transfer. Within the world of pharma-sales, it is known that a good salesperson generally holds his/her clientele when (s)he shifts from one company to another. So departures of salespeople not only have direct repercussions on the personnel turnover but also and especially on the sales performance and therefore also on the financial performance of the subsidiary. In order to retain the maximum of these people as well as the back office and support activities, it is necessary to respond as optimal as possible to their questions and worries and help them to cope with uncertainty. Otherwise, once the take-over is formally and legally finalized, the local office will remain only as a shadow of what it once was.

An additional challenge to deal with is that those who will survive the "transition" must still be motivated to perform within the new organization. Often, the survivors are more or less neglected, as much of the attention goes to them who are urged to leave the company (O'Neill & Lenn, 1995). In order to guarantee a continuity in performance and a continuity in custom relations it is necessary to pay attention to the manifestation among these survivors of diminishment of risk-behavior: decline of productivity, increasing need for information, resentment and grudge, declining cohesion, decline in commitment (Schweiger, Ivancevich, & Power, 1987).

To tackle all this the management team installed different "coping-devices". A counseling structure was installed envisioning three important continuity objectives: continuity in performance, continuity in custom-relations, and retention of good people. First of all, as already mentioned, there was the newsletter providing a counterweight to the stream of rumors, questions and gossips that hit everyone in the organization. Next the management team assigned to the human resources development department the elaboration of a "merger workshop" where people would be informed what a take-over is all about, which different dynamics could be triggered in their personal life or among co-workers or colleagues in case of such a radical experience, and where they could also formulate their doubts or questions concerning whatever aspect of the take-over. People received also tools that could help in dealing with the unusual and difficult situation at the office and at home. Managerial staff would get coaching on how to deal with the phenomenon of rumors in his/her department or with the fact that somebody left the company for the competition. Also the Kübler-Ross model (1969) was explained so that people could get an firmer grip on and a more adapted understanding of the feelings of themselves, their colleagues or their family triggered by the take-over. Finally, a group of counselors was set up whom the employees could contact in all anonymity with all kinds of questions, personal as well as professional, concerning the take-over during as well as after working hours. All this was done in order to maintain self-esteem, prevent irrational decisions, channel questions and feelings, provide career-decision advice, and prevent survivor sickness.

During the period of uncertainty there has been only one formal contact between the local PYRCO office and its' new sister firm in the local market, where each organization presented itself to the other. Although this meeting received positive feedback via the "merger news"-newsletter, the management team's real experience was in fact anything but positive. The stereotypes concerning the obsession with costcutting and margin were confirmed. PYRCO Benelux conception on how the new owner and his representatives would behave, functioned as a self-fulfilling prophecy (Watzlawick, 1976). Emotionally, they felt stepped upon. The management team had the feeling that the "barbarians" had come in. The management of PYRCO Benelux had the intention to start a new working relationship among equals but now they felt themselves pushed into the role of the defeated, who had just to listen to what his new master or his representatives had to say. Nevertheless, they sensed that the local RCP people felt threatened by them. They experienced that "their PYRCO" mastered things of which the representatives of the new owner had not even heard of, or which were only very limitedly applied within their organization, e.g. information technology, HR-development,... . The meeting with the local RCP people thus confronted the management of PYRCO with a reality which was worse than their worst fantasies, not because of any of RCP's intentions, but because it confronted them with the reality of their subjugation. Since the meeting confirmed feelings of superiority towards RCP some team members adopted the metaphor of the Greeks being conquered by the Romans. The latter had, just as RCP, more resources (quantity) to fight and defeat the Greeks, PYRCO, whose resources were, according to themselves, of a much higher level (quality). But, as everybody knows, eventually the Greeks' integration in the Roman Empire was the start of a massive wave of hellenization of Roman society and culture (Encyclopaedia Brittanica, 1968).

Although the new headquarters did not interact with the local PYRCO office, it was present in their fantasies and expectations and a kind of relationship had developed. This "relationship" had two components which were shared and developed through specific "expressions" that acquired a shared meaning amongst PYRCO employees. One component originated from the "silence" from RCP headquarters, which was described as "fog". PYRCO management felt as if RCP raised a deliberate

effort to cover up and mystify its intentions and "real thoughts". Nobody knew what to expect, when , where or why. This strategy corresponds with the game theoretic proposition that in complex and uncertain situations a random strategy is preferred in order to become unpredictable for the other players in the game (von Neumann & Morgenstern, 1944). Whenever a vague signal would come through the fog, it would contain the message that everybody should be prepared for the "big job" which could be expected to start at any moment. The fact that one does not know exactly what to expect makes that one prepares for the worst. PYRCO management felt as "simmering" in a pot. It must be remarked that there is no evidence whatsoever that the silence of RCP headquarters was due to such tactical intentions, but for the PYRCO management the attribution was real.
The other component relates to the language itself. People at PYRCO started to label situations differently then they did before. They started to use a new vocabulary. Not because situations had changed, but because doing so made it more easy to get things moving while wandering in the "fog". This "new language" was a way to get more grip on the situation. It can be interpreted as an anticipation of the new reality, as a step towards transition. As Weick (1979) said "Organizing is like a grammar in the sense that it is a systematic account of some rules and conventions by which sets of interlocked behaviors are assembled to form social processes that are intelligible to the actors.". The way some things were labeled provided brief but clear implicit directions how these things were considered by the new owner and consequently how they should be handled. By erasing the vocabulary and the grammar necessary to describe or discuss certain things, one can get the impressions that these things do not exist, at least not on a formal and explicit level. One way of adapting the language of the new owner was by excluding "fuzzy stuff" from public discourse. So instead of talking about people and values, one should concentrate on what really matters: products, markets, profit, briefly the numbers.

People got informed on the new language through a surge in informal meetings and information exchanges. Everybody knew that they occurred, but since they were not allowed, it was impossible to refer to them. Within the newly developed organizational language and grammar, they were considered to be non existent. So it happened when someone discussed informally some matters with a colleague from another local office, and came to agreement on these matters, (s)he could not use this information in a formal context on the same subject with the same person.

The end of the uncertainty and the start of the implementation of the take-over at the local subsidiary

The experience of take-over at the local office as described above can be qualified as an innovation in which the disruptive character prevails. But it is not sufficient in this case to know what one does well (continuity), and have an idea of where one wants to go or go toward (novelty). The local office must also be able to actually move, change, and transform in a clear and orderly fashion even if the final goal is still a moving target. Indeed, only when RCP came in, the transition could start and the novelty could be "digested" rationally as well as emotionally. Managing transition therefore implies understanding how the organization moves effectively from one state to another, often an unknown one. Many organizations struggling with transition experience the need for "a common script", a shared understanding at any point in time, of what the innovation is about and where it is heading (Gioia & Poole, 1984). Given the power relationship this script will be largely determined by RCP.

As soon as the legal settlement concerning the take-over was handled, actions towards implementation and consolidation began. Two different tracks were initiated. First, RCP imposed a timetable and a budget system. Secondly there were the initiatives taken by consultants appointed by RCP.

1. The Take-over Timetable

One week after the legal settlement was finished (29/11/1994), a big booklet called "Take-over Timetable" was dropped on the desk of the general manager. It contained a very tight time schedule that indicated what had to be done by when. Week by week solid objectives were given. As the management red through it everybody saw immediately that it would be almost impossible to meet the imposed deadlines. For every specific question (finance, management control system, marketing, distribution, information technology, personnel policy,...) a specialized project team was established. All members of the management team figured on more than one project team. The time pressure and workload was considerable. Every week a large variety of meetings had to be held and enormous amounts of information had to be gathered and processed, but the use and utility of it was not always clear to those involved. The timetable also gave indications by when staffing decisions were to be taken. So within two weeks the name of the new general manager was to be announced, six weeks later the new management team was to be designated, and again six weeks later the report to execute the final restructuring of the local office had to be submitted to the new headquarters in the USA, and therefore it would by then be known how the local office eventually would be staffed.

This "time-table pressure" was accompanied by a budget system called the "RCPT" ("T" referring to Treasury). From that day on an "RCPT" was the only way to get things done within the new organization. Together with the command obligation came a brief description of how to use it. But it was too concise to be understandable for novices. "RCPT" is in fact the standardized way of proceeding within RCP. Without "RCPT" you can't do anything, and something that can not be translated into an "RCPT" simply does not exist. An "RCPT" is literally a form on which has to be described what you are planning to do and what resources this will take. The space available to describe your project, the function you are creating or the person you are hiring , ... is so restricted that you are forced to limit yourself almost uniquely to quantitative data. Historically it started as a way of controlling the (ab)use of resources, actually it has evolved to be the dominant way of communicating in the RCP organization. This unilateral imposition of "RCPT" can be considered as an artificial and forced creation of "coincident meaning" (Bouwen, De Visch, and Steyaert, 1992). Instead of going into dialogue about the multiple realities that do exist within the two formerly distinct organizations, the new headquarters enforced their "reality" on the local office. Besides, not only new words (vocabulary), had to be learned to describe "briefly" but "correctly" what one sought to do, also a new way of proceeding had to be mastered (grammar) to make that one followed the right channels and procedures, addressing the right people, etc.... So, not only new information had to be sought, it had also to be formulated under a new format in a new language unknown to the people at the local office. From the beginning it was communicated by RCP's headquarters that only messages expressed in this "language" would be dealt with, the others would be considered non-existent. Although this "RCPT"-way of working was exactly the opposite from the original way of doing things at the local PYRCO office (as said they originally had little respect for formal rules), the very tight time schedule combined with the fact that all positions still had to filled in, made it very difficult to express some comments. As we heard from many people concerned: "It was swimming or sinking". It is no surprise that the entrance of RCP headquarters was referred to as an "invasion".

Everything at the local office was accelerated by these two initiatives. It was as if the whole organization was caught in a rapid. There was no more time for doing other things than those asked for by the new headquarters. The considerable workload created among the members of the management team a permanent feeling of deadline. One deadline had not yet been met or another popped up. Therefore there was a continuous but restricted focus on the action level. People were too busy doing things. They did not really have the possibility to ask themselves why they were doing them or how they should be doing them. The important aim was just to meet the imposed deadlines. All creative, critical and constructive (meta-)thinking or learning suffered from this workload. Consequently organizational learning which according to Bouwen and Fry (1988) is an essential part in a transition process was seriously hindered. One could compare the imposition of this timetable with a kind of occupational therapy to keep people so busy that they would not engage in critical or differentiated thinking concerning what was going on in their organization.
Furthermore both the timetable and the budget system were imposed without communication with the local office. There was no explanation provided why things were done this way and not otherwise. Therefore the flexibility that according to Bouwen and Fry (1991) should be present in the planning and sequencing of a transition was in this case very limited.

2. The consultants are moving in

One week after the time table sent shock waves through the organization a second invasion followed. Without any notice a number of consultants appointed by the RCP head office arrived in order to lead and facilitate the take-over process. Immediately, without consulting the people involved, a demanding time frame and task schedule was imposed. They started forming new teams and project groups which had to gather specific data concerning products and the markets. The focus on the "strategic fit" (Singh & Montgomery, 1987) was dominant in their approach. Everything had to be done following their specific way of proceeding. This was instrumentally illustrated in the material they used. In fact they provided frames in which numbers had to be filled in. Due to the pressure of time and the workload everybody complied with the consultants' schemes and did not even make an effort to question them. So no real dialogue on how to proceed and why was developed. The structure of the work was unilaterally imposed. There was little attention attributed to the specificity or uniqueness of the context. Strangely enough, although all the demanded data were exclusively quantitative, no questions were raised concerning the way these numbers were generated. The most important thing was to have numbers. Therefore the consultant had complete and perfect input and output control on the whole process. Because it was the consultants who imposed the framework that had to be used to generate and process the data as well as it was only them who took care of the final presentation of the work to the new owner, the sense of ownership of the people at the local office concerning the implementation of the take-over was restricted.

The local office was not identified as an important stakeholder in the transition process by the consultants. They behaved as a kind of "commissioners" or direct agents from RCP headquarters as if to complement a not yet developed reporting structure as the implementation of the take-over was just starting (White, 1992). Although the initiatives developed earlier demonstrated its' potential to participate as cooperator in the process as well as its' potential as threat towards it. This made that the local office was "forced" to evolve from a mixed blessing stakeholder towards a non-supportive stakeholder (Savage, Nix, Whitehead, & Blair, 1991).

In fact the consultants way of proceeding followed nicely the same logic as is imposed by "RCPT". Not only it demanded almost exclusively quantitative data, in addition it elicited an enormous work effort which reduced seriously the possibility of critical discussion or analysis of the situation.

Discussion

Although the "story" of the take-over is not complete, we have chosen to break it off at this point. We believe that with the entrance of the consultants, the introduction of the new budget system and the first official meetings with headquarters, a process of actual change is started, which is fundamentally different from the process of the preceding period. Uncertainty gradually decreases with decisions on structures, procedures, systems and people. In the case of PYRCO e.g., most members of the management team were appointed only a few weeks after the consultants came in, and they started to develop new relationships with the (reorganized) headquarters. Contrary to the previous period, these relationships were now based on actual experience, and not only on fantasy. Far from suggesting that such a transition is easy or painless for those involved, we want to focus our discussion to what happened at the local office in those first months of extreme uncertainty *before* the actual change begun. How can the efforts of the local management to deal with the extreme and externally imposed novelty be understood as managing continuity, and how did it prepare those involved to the major organizational transition they were facing ?

This section is structured around three issues. First, we will start from the distinction made between short term and long term continuity. Secondly, managing long term continuity will be elaborated as a complex and permanent process of (re)creating a sense of value and legitimacy. Finally, the importance of and the opportunities for an adapted and integrative action of the overtaker will be addressed.

A first observation in this case study was the distinction between short-term and long term continuity, and the initiatives of the local management were described as a balanced mix between the two. At first the managing director issued a "business as usual", but this was soon complemented with initiatives such as the merger news, business intelligence task forces and merger workshops. The question we want to address here is why this balance was necessary.

In case of a hostile take-over *short term continuity* becomes an issue as soon as the bid is known, especially at the local offices. Through the bid the context for normal operations is destroyed : the power base of management is threatened, contractual authority is reduced, the validity of the incentive system is questioned, and in general the expectancies and contingencies which rule peoples behavior on their job will be put to a challenge. Depending on its nature; the integrity of the primary process itself may be impacted from the bid. Competitors e.g. will approach key employees and customers, in an attempt to profit from the confusion which accompanies the take-over.

Managing short term continuity therefore means managing day to day survival. Its time horizon is restricted to the immediate urgencies of the local operations. What do we have to do now to avoid loss of (immaterial) assets? The aim is to *survive* and to avoid the trap of slipping into a lethargic mode. It can be compared to an athlete who finds out her race is canceled, but who has to continue training in order to preserve her general condition. How this short term continuity is managed may be less significant than the fact that it is actually managed.

The time horizon of *managing long term continuity* on the other hand goes beyond the urgencies of the moment and concentrates on issues that are not of immediate importance for the business but that are of great value for the future of the organization. It may seem strange to talk about long term continuity at all in a situation of a hostile take-over, where there appears to be little continuity for the target company, soon being absorbed into the acquiring company. However, although structures, systems and people may change dramatically, the primary process itself probably will remain relatively unaffected by the acquisition. When e.g. the agriculture division of PYRCO would be split off or sold, people would continue to develop, produce and sell crop protection chemicals and animal pharmaceuticals. The question is : would they still find meaning in their job ?

The aim of managing long term continuity is to stimulate the employees in reaching out for the future. It provides a sense of purpose, even when things are changing drastically (Vaill, 1989), and creates a developmental focus which is necessary for entering the transition process that is ahead. In the PYRCO Benelux case the management of long term continuity focused on the identification of values and valuable practices and how they could be retained and developed for the people in the future office. The initiatives taken in themselves were already an expression of these basic values, i.e. care for people and entrepreneurship.

Managing short term and/or long term continuity can occur in four different combinations, as is demonstrated in Table 1. Before addressing the possible combinations, we would like to emphasize that we understand the management of both types of continuity as collective action or "enactment" creating shared meaning. The initiatives of the local management at PYRCO can be seen as anchors focusing organizational discourse and action, and providing a legitimate platform to discuss the emotions that are elicited by the take-over announcement. It is not essential that these initiatives should originate from a deliberate and conscious choice or that they should be labeled as "management of continuity".

Confronted with a take-over bid, local management can decide to do nothing about it, and provide no structure or initiative for survival, neither for the business, nor for the individuals involved. This corresponds to situation (a) in Table 1. Management may just look after itself, as was the case with the Barings Bank, where senior management was reported to be mainly interested in its own bonus (Financial Times 2/03/1995; Financial Times 4/03/1995). Such a condition may lead to a situation of "every man for himself", and cause a solid decline of operational performance, as well during as after the implementation of the take-over. Because of their involvement with daily operations, local and lower level managers may be less susceptible to this choice, since their defection will be more visible and consequential.

management of long term continuity	**Management of short term continuity** *survival*	*no survival*
development	transition (d)	introspection (b)
no development	"business as usual" (c)	decline of performance (a)

Table 1 : managing short term and long term continuity.

When the local management reacts to a take-over announcement by focusing exclusively on the issues of long term continuity, they may become too much absorbed by their future and neglect the continuity of day to day operations. This is represented in situation (b) in Table 1, which we labeled as introspective. It is clear that the PYRCO Benelux management did not fall into this trap. The management team immediately realized that their chances for personal "survival" depended on their ability to ensure operational continuity. At first, their focus was exclusively on short term continuity (situation (c) in the table), when the managing director called for "business as usual". However, employees did not buy into this, because, in the most literal sense of the word, it did not make sense to them. Moreover, since at PYRCO Benelux people were used to a commitment strategy (Walton, 1985), forcing them into business was no valid option, because that would have meant an even greater cultural shock. We believe that a pure "business as usual" strategy can be justified, e.g. in a manufacturing environment, which is a relative insensible to its owner structure, and where a control strategy is common practice.

At PYRCO Benelux it appeared that the call for short term continuity could only be justified by a simultaneous management of the long term continuity. People at PYRCO identified very strongly with their business. Loosing their personal and organizational long term perspective caused great anxiety. Because the initiatives that were developed (business intelligence, damage control, and communication management) tried to restore some sense of legitimate purpose, they allowed the employees to cope with the novelty of the take-over situation and face the transition ahead. At the same time, these initiatives addressed the issues of short term continuity, as e.g. the term "damage control" indicates. Because "profit and growth" was one of the basic values of the local PYRCO office, this combination was not experienced as contradictory. Short term continuity (performance) was relevant for maintaining their entrepreneurial identity, but a long term perspective was a necessary condition for the commitment to their work. We believe that integrating the management of short term and long term continuity (situation (d) in table 1) not only made sense at PYRCO, but that it constituted an excellent preparation for the implementation of the take-over.

In the preceding discussion we defined long term continuity very broadly as providing *a sense of legitimate purpose* in the face of change, offering those involved an experience of continuity. Although the experience of continuity must be holistic in nature, since it integrates past, present and future in a comprehensive framework, we believe that three components can be identified in the process of creating this sense of legitimate purpose : (a) an interpretation of the past which is compatible with (b) a vision for the future, and (c) which is shared amongst the network of power. Since all three are interrelated, the order of elaboration is arbitrary. The first two components, for instance, may be switched, and read as "a vision for the future, which is rooted in the past".

There is no experience of continuity without appreciation of the past. People will experience continuity when they can recognize the past in their present actions and in their intentions for the future. This appreciation is more than an interpretative act, since its meaningfulness implies a commitment to past practices, and to the values and beliefs embedded in them. When people rely on such practices as a guide to current action, and when this reliance is passed down over several generations, one may speak of a *tradition* (Salipante, 1992). Traditionality, i.e. the sense of tradition within an organization, can effectively guide change in a way that ensures coherence to organizational practices and member commitment to key organizational values and beliefs (ibid.). In the case of PYRCO Benelux, the management team identified strongly with their TQM system, their focus on customer satisfaction and entrepreneurship, and their emphasis on personal development. An opinion survey in 1992 showed that employees shared these values, which were built through numerous projects, starting from the mid 80's. Since this "PYRCO Benelux way of doing business" had survived numerous changes in the management team, including a new managing director, it can be viewed, to some extent, as a starting tradition. However frail the tradition was, there had been conscious efforts to create a strong culture and its definition had received general acceptance by the dominant network within the local organization. Some elements of this tradition, such as employee development, were already explicitly recognized, as they were part of a local mission statement which was developed a couple of years ago. Other elements, such as the entrepreneurship, were only realized during the take-over process. The fact that the perceived (or fantasized) values and practices of RCP contrasted highly with those of PYRCO Benelux, of course increased their sense of importance. However, the take-over bid at once questioned the legitimacy and status of this tradition as it destroyed the context in which it had grown. This brings us to the second component of long term continuity, i.e. a vision for the future.

It is clear that any appreciation of the past will remain without meaning, unless it has a relevance for the future. Therefore it is essential to envision this future, not as a prediction of what will actually happen, but as an intentional framework, that can guide our actions and expectations. The creation of this framework is a permanent process and involves testing and maintaining boundaries at all levels of the organization, in order to ensure coherence and unequivocality of intentional action (Hirschhorn & Gilmore, 1994). In case of PYRCO Benelux, the announcement of the take-over bid suspended this process of envisioning and consequently impaired a meaningful appreciation of their past. The initiatives taken by the local management were, at least partially, oriented towards dealing with the set of highly paranoid fantasies, that filled the void caused by this suspension. And the frenzy of activities that suddenly developed when at last the consultants entered, can be interpreted as a reaction of relief, because the process of envisioning the future could be restarted. In a sense the implementation of the take-over returned the concept of "future" to the PYRCO employees, even when the content of this future was still far from clear.

Since we defined long term continuity as a sense of *legitimate* purpose, this conception refers to the network of power. One of the most immediate effects of a hostile take-over bid, is that it drastically changes the existing power structure. It destroys the power base of the local management. The radical changes at corporate level will eradicate the network that every manager has built during his career. When we asked the new local management team one year after the implementation what they had experienced as a loss in the acquisition process, all ex-PYRCO managers referred to loosing their corporate network. They missed this informal source of support and legitimacy, even when their formal power status was fully restored. Without the consent of such a network, the legitimacy of any sense of purpose would be solipsistic. Therefore, even a year after the implementation, long term continuity was still "in the making" and the legitimacy of the appreciation of PYRCO's past precarious.

In summary, managing long term continuity is a quest for a sense of legitimate purpose. This implies an appreciation of the past which is consistent with a vision for the future, and approved by the power network at corporate level. Our elaboration of the concept of "continuity" shows why the process will go on until a new stability has been reached and is accepted. In case of mergers and acquisitions it is known that such a transition typically takes several years. In a dynamic industry such as the pharmaceutical industry, managing the continuity may never be completed altogether, since structural change is prevalent.

It is clear from the case that the local management cannot manage continuity on its own. During the period before the implementation, the local management can take care of short term continuity and prepare for the transition to come. At PYRCO the special initiatives that were taken did not only help to appreciate the past and open up for an uncertain future, they were also manifestations of the valued tradition, exemplifying its continuity and importance. When the implementation of the take-over starts, the management of the acquiring company will join the process one way or another. At that time the acquiring management has the choice to build further on the local efforts or to brush them aside or even counteract them. In the latter case, the efforts of the local management will have been in vain, and local operation may still suffer a sharp decline in performance, due to motivational problems. A structural bit of luck at PYRCO was that most top and middle managers of the Belgian pharma division, including the managing director, survived the acquisition and the subsequent merger with the local RCP subsidiary. This provides a basis for continuity through people. We had no direct access to the reactions of RCP headquarters to the continuity efforts by the local management. From indirect observation it seems that these reactions were mixed. In a recent personnel survey, two thirds of the ex-PYRCO employees reported that they recognized their previous company identity in the new merged entity, as much as or more than they recognized RCP practices. At this moment the local office is still in full transition, so the final outcome of this case is still uncertain, but the mentioned survey result indicates that some long term continuity has been provided.

Conclusion

This case study deals with the experience of being a target in a take-over. It provides an illustration of the usefulness of a process perspective for the study of an "acquisition in progress" at the local level. This perspective allows to focus on issues such as the management of continuity, in all its dynamic complexity.

The focus of attention in the acquisition as process can thereby be expanded from the urge to recognise external change (*novelty*) and responding to it appropriately, to identifying and recognising the purpose of the organisation and respecting its' traditions (*continuity*). Stressing the management of continuity emphasises the importance of developing a legitimate relationship between the past and the future which has to be established in the acquisition process at the local level. Although the different actors remain rooted in their own distinct past, they have to grow towards a common future (*transition*).

In the literature on mergers and acquisitions little attention is given to what happens at the local level in the acquisition process. This study illustrates the powerful dynamics that can develop locally. In our case they were labeled business intelligence, communication management, and damage control.

Nevertheless more study is required to situate precisely their impact on and the importance in the acquisition as process. Especially the pro-active role of the management at the local office seems interestingly enough for future research.

We are aware that this approach needs further elaboration. Any case study has its limitations. For instance, it would have been interesting to gather supplementary data at RCP headquarters level, or at the local RCP subsidiary. Further our analysis is mainly based on information from top and middle management where we did not interview employees directly. However we believe that the exceptional research opportunity compensates for the lack of systematic planning. We managed to follow up this study through an opinion survey in the newly formed local office and hope so to address a number of questions which are not dealt with in this paper. For example we continue to study the impact of the issues described above on the quality of the transition process and the final operational functioning at the newly formed local office. Nevertheless we are convinced that this approach is an important trail in order to improve the effectiveness and rate of success and decrease considerably the cost (financial, distribution, market share, technical, human, ...) of take-overs and acquisitions.

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