History in Merger and Acquisitions Research: a Organizational Culture Perspective

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Propósito Central do Trabalho
In this study we propose a historical approach to understand the influence of organizational culture in the acquisition process. According to the acquisition literature, the cultural clash between organizations is one of the most important factors that contribute to the failure of acquisitions. Little is known about to which extent the differentiation stemming from such clashes interferes and compromises the integration of companies. Our purpose here is to introduce some elements of historical research to construct an analytical cultural model in acquisitions. It is generally acknowledged that organizational cultures are historically based. We argue that a more historical approach in acquisition studies and more critical attention to organizational culture would facilitate the deconstruction of oral narratives of inter-organizational cultural manifestations. In order to investigate how which organizational cultures have developed and amalgamated we used oral history. The method allows the assessment of the events and oral narratives which that present in a longitudinal historic line, in the establishment and integration of the organizations. When one company acquires another, it brings a history built on a cultural system that differs from the one been incorporated. We argue that knowledge of organizational configurations adopted in the lives of companies help us to understand how cultural systems, formed and maintained over time, change or are rebuilt through actions taken after the conclusion of the deal. Following this focus, we investigate the changes of cultural significations perceived by the social agents of two organizations involved in an acquisition that resulted in the biggest flat steel conglomerate in Latin America.

Marco Teórico
This paper intends to contribute to the literature adopting a historical approach to investigate cultural manifestation in an acquisition process. Rather than use the history perspective to explore narrative ideas or arguments of contextual facts to reveal the basis of organizational cultures, we are interested in capturing the meanings and interpretations of individuals and groups’ experiences of a culture. Following Lévi-Strauss (1963), the historical approach is the best way to know individual and group experiences, their ideology and praxis, allowing the researcher to get closer to the implicit meanings of their actions. The study intends to contribute to the literature by extending the analysis to different hierarchical levels and by investigating culture integration from the perspectives of both the acquired and the acquiring company. The study applies the concepts of parent and received cultures (Clarke et. al, 1987). Parent culture can be understood as the culture that gave birth to the present culture and is represented by those regarded as leaders and constructors of the basic cultural concepts. Received culture can be understood as the culture that receives the parent culture, either absorbing it as a whole or partially, or imposing an identity withdrawn from the basis of the culture transmitted by past generations. We also apply the integration, differentiation and fragmentation framework (Martin, 2002) to understand cultural manifestations between the companies. An organizational culture is ‘integrated’ when it reflects a wide consensus, ‘differentiated’ when it is confined to certain subcultures in opposition to others and ‘fragmented’ when there is little consensus at all. The integration perspective focuses on consistent and unambiguous expressions of a culture. This consistency emanates from the founding member and leading managers. Martin (2002, p.94) compares integration to a solid monolith from which culture is like a rock that is seen the same way by most people, no matter from which angle they view it. The monolithic idea suggested by the integration perspective might be applied to a related acquisition. It is assumed in these cases that it helps
in the analysis of the acculturation process, revealing how the members of the acquiring and acquired companies respond to the leaders’ orientations. An approach contrary to the homogenous and integrative corporate culture is characterized by differentiation and diversity within the organization. The differentiation perspective expects to find inconsistencies, lack of consensus and cultural sources other than leadership. During an acquisition process, differentiation may be reflected in the way functional groups perceive it. The formation of subcultures becomes more explicit when groups from the acquired companies have to perform their functions in an environment of hostility and constant threat. The fragmentation perspective visualizes the organizational culture as uncertain in itself. The more the organizational reality is studied the clearer becomes the evidence suggesting an atmosphere of uncertainty. Ambiguity does not have to be taken exclusively as a barrier in acquisitions. The fragmentation perspective leads to the understanding that the situations usually taken as problematic are a result of a multiplicity of interpretations. Capturing the different ways individual interpret the acquisition process may helps the understanding of group’s and organization’s perspectives.

**Método de investigação se pertinente**

The research approach used in this study was theory building from a case study and oral history methods. We assumed that organizational cultures could be understood by studying the dynamic between parent and received cultures, and by using oral traditions identified in the oral statements. In order to explore the divergences in the mingling of two organizational cultures in a related acquisition we studied the complex negotiation that generated the biggest flat steel corporation in Latin America. The option for this event was made owning to the fact of the abundance of the case details. First, because the companies – USIMINAS, the acquiring company, and COSIPA, the acquired company - operate within the same production segment, which is likely to lead to a more effective relationship after the purchase has been consolidated. The two steel companies were for a long time competitors in the rolled products market. We interviewed elderly and retired employees that were involved in the beginning of the companies’ activities. Interviews were also arranged with the individual - presidents, directors, plant managers, advisors, managers, engineers and technicians - who had participated in common activities developed by the two organizations between 1993 and 2013. The sample was organized using the snowball to select the interviews. As the respondents were interviewed, they suggested other people from both companies. The interviews finished when new statements no longer contributed significantly to the study. The selection totalized 97 interviewees, 49 from USIMINAS and 48 from the COSIPA. Content analysis was used to identify the themes, using as a parameter, in the case of the cultural formation, the historical written materials of the organizations and the oral accounts of those who have been working in the companies since the beginning. So, to understand the cultural changes after the acquisition we analyze the narratives grouped in thematic related to the consensus, differentiation and ambiguities manifestations. In order to find out if the acquisition could be better understood knowing the dynamics of the three culture dimensions, we also observed the main events, the functional and regional differences and the consensual and discordant points emerged from the process.

**Resultados e contribuições do trabalho para a área**

The construction of an organization’s cultural universe is defined when its history and the history of its agents is retrieved. The acquiring company, USIMINAS, had the presence of a very active Japanese partner from the beginning of its operations. The steel company had been the first relevant investment of Japan in the world after the Second War. Unlike USIMINAS, COSIPA, the acquired company, showed traits of a more fragmented culture, characterized by
powerful political interference in its state-owned period. Each group appointed to administer the corporation denied or dismissed the achievements of previous administrations. In order to analyse what occurred when these two companies joined, we identified the integration, differentiation and fragmentation cultural manifestations. The integrative approach makes it possible to identify the shared views of those who participate in the main events of the acquisition. Among the indicators of integration, the consensus on the banker-partner’s withdrawal indicates that, in this case, the withdrawal of a partner from a different core business contributes to the enhancement of integration when the shareholders are from the same market segment. The preservation of local cultural aspects was another consensual point identified. Most respondents recognized the importance of preserving regional customs. The third aspect related to the integration perspective is associated with synergy projects. The exchange of experiences and the meetings for technical discussion of best practices are perceived as opportunities for professional growth. Regarding the integration perspective in COSIPA, the gradual changes announced by USIMINAS and the restructuring in the company being conducted by the internal agents themselves are consensual issues pointed by the employees. The differentiation perspective allowed us to identify the functional groups’ interpretation in relation to some events. In USIMINAS, although the group of operational managers defended the use of patience and conversation in the integration activities, they were disturbed by the president’s intervention proposing COSIPA’s administrative independence. In COSIPA it was the technicians that were most uncomfortable with the announcement of the acquisition. The reforms motivated these employees to form groups and seek help from trade unions. Their fear was aggravated by downsizing and dismissals, typically applied in related acquisitions. The analyses from fragmentation perspective make it possible to identify the multiple interpretations that oppose the proposals for a new corporate format after the acquisition. One of the ambiguities found in USIMINAS, was the employees misunderstanding the apprehensions of COSIPA’s members about the possibility of losing their jobs. Some of USIMINAS employees were also puzzled by the passive resistance of COSIPA’s staff to interact with some work teams. Aspects of the two organizations’ history could justify these reactions: whereas USIMINAS had a tradition of exhaustive technical debates, COSIPA retained traces of the passive behavior of its state-owned period. Some contributions may be extracted from this work. The historical contexts both anterior and posterior to the birth of the organizations have proved to be important to understand how the groups of parent and received cultures were constituted. Understanding how the received culture absorbs the values, practices, rituals and symbols of the parent culture in each organization has led to the clarification of factors that can contribute to stabilize or destabilize the integration of the companies after the acquisition process. This paper represents a step forward by uncovering some of hidden dimensions of acquisitions using oral traditions and oral evidences. Understanding the dynamics of organizational formation and the different manifestations in the acquisition process are essential both to theorizing on acquisition as well as to management practice. The study can also amplify the discussions concerning the use of historical approaches in the organizational culture and acquisition literature.

Referências bibliográficas