Unpacking the dynamics in acquisition of capabilities: the role of identities during postmerger integration

Güldem Karamustafa-Köse
School of Engineering and Management Vaud (HEIG-VD), HES-SO University of Applied Sciences and Arts Western Switzerland, Yverdon-les-Bains, Switzerland and
Faculty of Business and Economics (HEC Lausanne), University of Lausanne, Lausanne, Switzerland

Susan C. Schneider
Geneva School of Economics and Management, University of Geneva, Geneva, Switzerland, and

Jeff D. Davis
David Eccles School of Business, University of Utah, Salt Lake City, Utah, USA and Molio, Inc., Salt Lake City, Utah, USA

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Abstract

Purpose – Despite best intentions, mergers and acquisitions often do not live up to the expectations for performance. This study examined how the salience of multiple identities creates dynamics in postmerger integration processes and how these dynamics influence the acquisition of the target's capabilities.

Design/methodology/approach – The authors conducted an in-depth case study of a large American consumer goods multinational corporation's acquisition of a family-owned German beauty business and examined responses to decisions and events during the postmerger integration process.

Findings – The results show how and why efforts to acquire unique target capabilities might not deliver the hoped-for results. The authors discovered multiple identities that became salient during the postmerger integration process which subsequently influenced interpretations and reactions to decisions and events and which created intergroup dynamics. The authors also noted the role of language in making these identities salient. Such dynamics pose challenges to managing the postmerger integration process and to acquiring sought after capabilities.

Originality/value – This study reveals how different identities become salient in the interpretation of particular events and decisions, resulting in emotional and behavioral reactions and intergroup dynamics. Furthermore, it uncovers the role of language in making identities salient. This study offers further insight into identity dynamics when the capability of the target firm is the motive of the acquisition.

Keywords Change, Cross-border mergers and acquisitions (M&As), Multiple identities, Postmerger integration

Paper type Research paper

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Introduction

Mergers and acquisitions (M&As) are common strategies for growth, providing opportunities to access new markets, new products, and new technologies (Vermeulen and Barkema, 2001; Anand *et al.*, 2005) as well as a means of acquiring and creating new capabilities (Karim and Mitchell, 2000; Ahuja and Katila, 2001). However, the results of M&As are often disappointing, and hoped-for synergies are not always realized (Cartwright and Schoenberg, 2006). Previous research shows how the manner in which resources and capabilities are combined during the postmerger integration can affect value creation (Capron, 1999; King *et al.*, 2008), particularly when the target company brings new knowledge (Puranam *et al.*, 2006; Makri *et al.*, 2010).

The postmerger integration process involves challenges (Ranft and Lord, 2002). Maintaining key employees is crucial for acquisition outcomes (Zollo and Singh, 2004) as well as for preserving the capabilities of the target company. However, changes during the postmerger integration process can have disruptive effects on target firm employees who hold valuable knowledge (cf. Bommaraju *et al.*, 2018). Some integration decisions might affect their status or relative standing (Paruchuri *et al.*, 2006) and lead to turnover (Hambrick and Cannella, 1993). In sum, routines and processes of the target company may be disrupted during the integration process, thus undermining sought-after capabilities.

On the other hand, acquiring and target managers' combined efforts during the postmerger integration process can contribute to capability transfer (Teerikangas *et al.*, 2011; Colman, 2020). Perceptions of identity threat may motivate target managers to take actions promoting cohesiveness to preserve unique capabilities, challenging decisions that might affect those capabilities (Colman, 2020). These actions can bring positive outcomes, including unexpected company benefits and employee satisfaction (Colman and Lunnan, 2011). Thus, it is important to understand how employees of both firms interpret events and decisions in the postmerger integration process, particularly given the uncertainty and ambiguity inherent in M&As.

Paying attention to the sequence and pattern of events can help to achieve a deeper understanding of how and why particular issues and problems arise during the integration process (Yu *et al.*, 2005). Different interpretations of events and decisions as, for example, either threat or opportunity (Dutton and Jackson, 1987) can trigger divergent emotions and behaviors at the individual as well as group level (Garcia-Prieto and Scherer, 2006; cf. Mackie *et al.*, 2000). As different identities become more or less salient during the integration process, these identities influence the interpretation of events and actions (Vaara, 2003), in efforts to understand "what is going on" (Weick, 1995).

An in-depth exploration of employees' reactions to events and decisions during the postmerger integration process can provide a deeper understanding of managerial efforts to preserve and transfer capabilities. It responds to recent calls by researchers to shed light on intergroup dynamics following M&A's (Graebner *et al.*, 2017). Such an exploration also allows us to better explain, for example, how different identities become salient in interactions and contribute to intergroup dynamics. Similarly, it can show us why preservation of an acquired capability might be difficult despite managerial efforts. With this in mind, we undertook an in-depth case study of the integration process of an American multinational corporation (MNC) with strong capabilities in the retail market that acquired a German family business, with the hope of developing capabilities in the professional hair care business. We examined events and decisions as well as subsequent reactions during the postmerger integration process with an eye to understanding how identities might facilitate or hinder the acquisition of the desired capability.

Our study reveals that multiple identities became salient during the postmerger integration process. These identities influenced employees' interpretations of events and decisions, leading to various emotional and behavioral reactions. The salience of these identities also created intergroup dynamics which interfered with the acquisition of the sought-after capability. Our study contributes to M&A research by offering further insights into "identity struggles" (Langley *et al.*, 2012), showing how and why efforts to acquire unique capabilities might not deliver the hoped-for results.

Theoretical background

M&As often involve considerable change, with implications for identities and identification (Gleibs *et al.*, 2008). During the postmerger integration process, events and decisions taken are interpreted through these identities, resulting in behavioral and emotional reactions at the individual and group levels (Garcia-Prieto and Scherer, 2006; cf. Mackie *et al.*, 2000). Furthermore, postmerger success and failures have also been examined through the lens of identity (Ullrich and Van Dick, 2007), and more specifically social identity (Social identity approach;, cf. Drzensky and Van Dick, 2013) which offers insights into intergroup dynamics based on social identity theory (SIT) (Tajfel and Turner, 1986; Hogg and Terry, 2000) and on social-categorization theory (Turner *et al.*, 1987).

When social identities become salient, often the ingroup identity ("we") is strengthened, more highly valued and given preference (ingroup bias favoritisms and solidarity), while the attributes of the outgroup ("they") are assessed more negatively, with differences exaggerated and stereotypes reinforced (outgroup prejudice and discrimination) (cf. Hogg and Terry, 2000; Terry and O'Brien, 2001). This results in inter-group dynamics, including polarization (Stahl *et al.*, 2011), hostility, conflict, lack of trust, less cooperation, and more competition (Hogg and Abrams, 1988), or what Brewer (1999) refers to as ingroup love and outgroup hate.

During the postmerger integration process, conflict may arise as members of premerger organizations seek to preserve their premerger identities (Terry and O'Brien, 2001). However, Joseph (2014) found that facilitating premerger identification reduced the status differences perceived by premerger groups and improved intergroup relations. Nevertheless studies indicate that postmerger identification is usually higher for the members of the dominant group (Van Knippenberg *et al.*, 2002), since the members of the dominant group can transfer their premerger identification to postmerger identification (Lupina-Wegener *et al.*, 2014). Furthermore, different types of identity threat may be experienced during the postmerger integration process based on the perceived legitimacy of integration decisions (Lupina-Wegener *et al.*, 2016).

While previous studies provide valuable insights into the influence of identities and identification during the postmerger integration process, there is still an incomplete understanding of how identities specifically impede or support strategic outcomes (cf. Sarala *et al.*, 2019). Furthermore, these identity dynamics are under-investigated in the context of the acquisition of capabilities. Liang *et al.* (2021) conducted two experiments arguing that people would respond less negatively to criticisms of outgroup members when the motive is access to their valuable knowledge. While their hypothesis is not confirmed, they call for more research on intergroup dynamics with specific attention to merger motives. Thus, given a motive of learning, premerger identities and identification may impact knowledge sharing and creation, as ingroup members might ignore criticism from the outgroup or resist sharing knowledge with the outgroup (cf. Empson, 2001). However, other studies reveal that perceived identity threats can motivate both acquiring and target managers' proactive behaviors, prompting the emergence of serendipitous value during the postmerger integration process (Colman and Lunnan, 2011). As such, seemingly incompatible identities can be a valuable source for learning. This is in line with the findings of Liang *et al.* (2022). Studying a Chinese firm's acquisition in Europe where there were important identity and status differences between the acquiring and target firms, they found that premerger identities changed as members of the premerger organizations learned from one another during the postmerger integration. However, there is still limited understanding as to how identities might enable or impede learning through acquisitions. The purpose of our study is to provide a better understanding of how identities might enable or impede the acquisition of sought-after capabilities.

Methods

As single case studies allow the investigation of change (Pettigrew, 1990) within a revelatory setting (Yin, 2009), we used a qualitative case study to answer our research question: *How do multiple identities made salient during postmerger integration processes influence efforts to acquire capabilities?* We studied the acquisition of a German family-owned cosmetics and hair product supply company (FamCo) by an American MNC (ConsuCo) with a strong retail capability in the consumer goods industry, in order to gain insight into how the salience of multiple identities creates intergroup dynamics in postmerger integration processes and how these dynamics influence the acquisition of the target's capabilities.

Research setting

For the American multinational, which was considered to be the reference in the retail business, the acquisition of the German multinational family beauty business represented an opportunity to acquire capabilities in a different sales channel, namely professional hair care. FamCo had three business units. The professional hair care unit, which represented about 50% of FamCo business, sold products to professional hairdressers and stylists. FamCo's retail hair care and fragrance units each represented 25% of FamCo business and sold products through mass distribution (retailers) and specialty channels (cosmetics stores; perfumeries). FamCo had the reputation of being a major player within the professional hair care industry. ConsuCo had a very limited presence in the professional hair care industry despite being a leading player in the retail hair care market. The combination was expected to bring FamCo's unique capability in professional hair care to ConsuCo while allowing FamCo's other divisions (retail hair care and fragrances) to benefit from ConsuCo's global presence and market share. Table 1 presents the chronological description of the key events.

While the integration of FamCo's smaller business units was complete when we initiated our contact, the integration of the professional hair care business unit had only just begun. According to FamCo and ConsuCo employees, FamCo's retail product business was absorbed into ConsuCo, given their relative strength and capabilities. On the other hand, FamCo's and ConsuCo's fragrance businesses were considered similar, and the integration was smooth as employees of both firms acknowledged the strength of the other and were willing to work together to develop the business. We focused on the professional hair care business integration, the site of FamCo's unique capabilities, and started our data collection while the integration was ongoing at the professional hair care business unit.

Data collection

Our main data sources for this work were in-depth interviews with 20 individuals. In total, we conducted 27 interviews between November 2008 and June 2011. Table 2 presents the overview of the interview sample.

The first author identified and contacted interviewees throughout this study. Her experience as a former employee (two and a half years of tenure at ConsuCo) facilitated her initial contact and also provided an advantage in tackling concerns over sensitivity and confidentiality while gathering data through interviews. We employed purposeful sampling (Kumar *et al.*, 1993) of informants who experienced the postmerger integration process at FamCo, particularly those at the professional hair care business. When approaching interviewees, the first author sent a standard message introducing herself, indicating the purpose of the study, and clarifying that the study was not sponsored by ConsuCo. All interviewees were assured anonymity. Given that there was no formal involvement of the acquirer, interviewees could be relatively candid regarding their perceptions and interpretations, thereby eliminating certain biases ("the official story") but also creating others, as some had left the company.

Period	Year	Events
		Acquisition announcement
		Acquirer acknowledged the unique capabilities of the target
Period I	Year 1–2	Structural intervention to preserve target capability
		• Granting autonomy to target management
		• Key target managers retained
		• Target management maintain autonomy as in pre-merger
		• Creation of new BU
Period II	Year 3–4	Managerial interventions to facilitate two-way knowledge transfer
		• Move of the target HQ
		• Managerial integration at the target HQ
		• Key target managers retained
		• Target subsidiary managers retained; operations continued as in pre-merger
Period III	Year 5-Year 7	Complete integration to enhance coordination
		• Appointment of acquirer managers to lead the BU
		• The launch of a new brand identity
		• Frequent visits and communication of BU top management in subsidiaries
		• Codification of implicit target knowledge
		• Communication to employees highlighting the characteristics of acquirer and target *(Data collection started in Y5)*
		• Target subsidiary managers lost operational autonomy
		• Harmonization at the subsidiary level
		• Formalization and standardization
		• Employee turnover
	Year 10	Operational integration complete
		Further management changes within the BU
		Efforts to recover in customer relationships
	Year 12	The BU was sold following the corporate decision to narrow down focus

Table 1. Chronological description of the key events

Half of the interviewees were still with the company, primarily those from ConsuCo, while the remainder were former employees of the acquirer or the acquired firm. The overall sample included perspectives from multiple locations. Half of the senior managers had experienced the events that followed the announcement of the acquisition as well as the integration process in country-level organizations, while the other half had experienced the integration at the European headquarters. Fifteen interviews were conducted face-to-face; the remainder were conducted by phone or using online media due to geographic distance. All interviews were conducted in English.

The interviews started by asking interviewees to assess the motive for the acquisition, as well as to describe how business was conducted at FamCo; how business was conducted at ConsuCo; which capabilities were necessary; what was done to develop them; how this was initiated; which actions were taken; and what happened afterward. Finally, interviewees were asked what they thought needed to be done in the future. We also inquired about past events/decisions and interviewees' experiences and observations, frequently asking for examples. Interviewees often provided rich descriptions in response to queries, including accounts of what key issues were, what was planned, what was done, and who was involved. Consequently, we were able to obtain vignettes of specific instances of inter-group dynamics.

Following the interviews, we provided the transcripts to the interviewees and asked whether they had any corrections or additional comments. None of the interviewees returned any substantive corrections or clarifications. However, several requested anonymity not only for themselves but also for those whose names emerged during the interviews. We had already identified some of those names in our archival data. Therefore, these requests were

Number of interviews	Total Duration (mins)	Position	Geographical perspective covered	Functional perspective covered
15 interviews with 10 ConsuCo managers (between 2008 and 2011)	851 min (300/851 min spent in follow-up interviews)	Senior executive (4) Middle management (6)	Mainly global and Country A	Marketing Sales HR IT
9 interviews with 8 FamCo managers (between 2008 and 2011)	545 min (38/545 min spent in follow-up interviews)	Senior executive (5) Middle management (3)	Region (X;Y) (2) Country (A;B) (2)	Marketing Sales Production Finance
3 interviews with 2 managers from ConsuCo's other acquisitions (in 2011)	350 min (120/350 min spent in follow-up interviews)	Senior executive (1) Middle manager (1)	Global; Country C Global	Marketing R&D
Additional interviews: 3 interviews with 3 ConsuCo managers (between 2014 and 2017)	355 mins (60/355 mins spent in follow-up interviews)	Senior executive (3)	Region (Z) (1) Global (2)	Sales R&D Finance

Table 2. Overview of interviewees

reassuring as they indicated that the interviews were candid and corroborated other interviewees and data sources.

In addition to the initial round of data collection, we conducted additional interviews in 2014 and 2017 with three ConsuCo executives who had been involved in the FamCo acquisition integration process. Their reflections corroborated the insights of earlier interviewees and data sources regarding the postmerger process.

Detailed notes were taken after each interview. The interviews provided a total of 28 h of audio recordings that were transcribed into 326 single-spaced pages. In addition, easy access to FamCo customers provided the opportunity to observe and discuss the business from a different angle and offered additional insight to better understand competitive behavior and the dynamics in the industry.

We also collected and archival data on the Internet, with 241items accounting for over a thousand pages. We collected official documents (annual reports, SEC filings, press releases); articles in newspapers and trade magazines; and three books published by ConsuCo and ConsuCo executives. Moreover, we searched for and examined 55 videos of industry events as well as interviews with professionals available on the Internet (mainly videos on YouTube).

Data analysis

We examined the "context-action-outcome" (Pettigrew, 1997, 2012) in the case study. Through temporal bracketing (Langley, 1999), we sought to better understand the dynamics following the acquisition of a unique target capability. We started our analysis by identifying the relevant concepts and generating themes from first-order codes comparing codes from different interviews. For example, we generated the theme "structural intervention to preserve target capability" from first order codes such as "The reason we bought (FamCo) which was for the professional business." and "A majority of country managers are still

FamCo. For a very good reason. Because that's a FamCo strength." or codes such as "FamCo (professional hair care) stayed a very separate business, right up to the president.".

We then proceeded with pattern matching, comparing our data (Miles and Huberman, 1994) with existing M&A literature to assemble the data and further combine them into overarching dimensions. For example, efforts to preserve target capability (Ranft and Lord, 2002) and efforts to facilitate two-way transfer (Bresman *et al.*, 1999) relate to postmerger implementation decisions contributing to group dynamics. Finally, we termed the acquisition outcomes "performance decline at the professional hair care BU" and "decision to sell off the professional hair care BU". We focused on the capabilities of the acquirer and the target; what decisions were taken; and how the members of the acquiring and target organizations evaluated and responded to the events and decisions that took place as the process evolved.

We ensured trustworthiness of the study through multiple approaches (Lincoln and Guba, 1985). Internal validity was ensured relying on analytical tools of grounded theorists, such as questioning, constant comparison, looking at language, and looking at the emotions expressed and the situations that aroused them (Corbin and Strauss, 2008, p. 69) to identify the category of concepts relating to actions of individuals and organizations. The insights from each interview were constantly compared and contrasted with those from previous ones. We examined the context in which decisions were taken as well as their implications and outcomes (Miles and Huberman, 1994). We took notes on our reflections and identified areas for further inquiry.

We then mapped events and decisions in parallel to observed reactions, grouping them according to the levels of analysis at each time period. More specifically, we split corporate events and decisions; changes introduced at the business unit level during the operational integration; and observed responses within the organization following the changes. We then identified intergroup dynamics, looking at the events and decisions that aroused them. In order to ensure construct validity, we triangulated interview data with many off-the-record discussions and with archival data. As former employees, two of the co-authors were already familiar with the "*manager's temporal and contextual frame of reference*" (Van De Ven, 1992, p. 181) at the acquirer organization.

We were aware of possible researcher biases. While one co-author was able to provide a detailed inside perspective at the time of data collection, the other co-author had been an outside observer for over ten years, which helped to maintain a sense of distance and allowed an outsider's perspective on underlying dynamics behind actions and reactions during the merger. She constantly compared insights generated from interviews and sought theoretical comparisons to better understand the dynamics through discussions with her co-author. During the research process, another co-author who was distant from the research setting allowed us to address such biases while sustaining the insider-outsider approach. Finally, our theorizing evolved as we discussed the findings within our community of M&A researchers and made theoretical comparisons.

Findings

Figure 1 presents the structure of the data: main dimensions; their constituent second order themes; and first order concepts. It describes the dimensions of decisions taken (to preserve the target capability, facilitate two-way transfer, and enhance coordination within BU), the intergroup dynamics, and the postmerger integration outcomes.

Decisions

Structural intervention to preserve target capability

ConsuCo announced the acquisition of FamCo in line with their strategy to meet up to one-quarter of ConsuCo's long-term sales growth through acquisitions, specifically in the

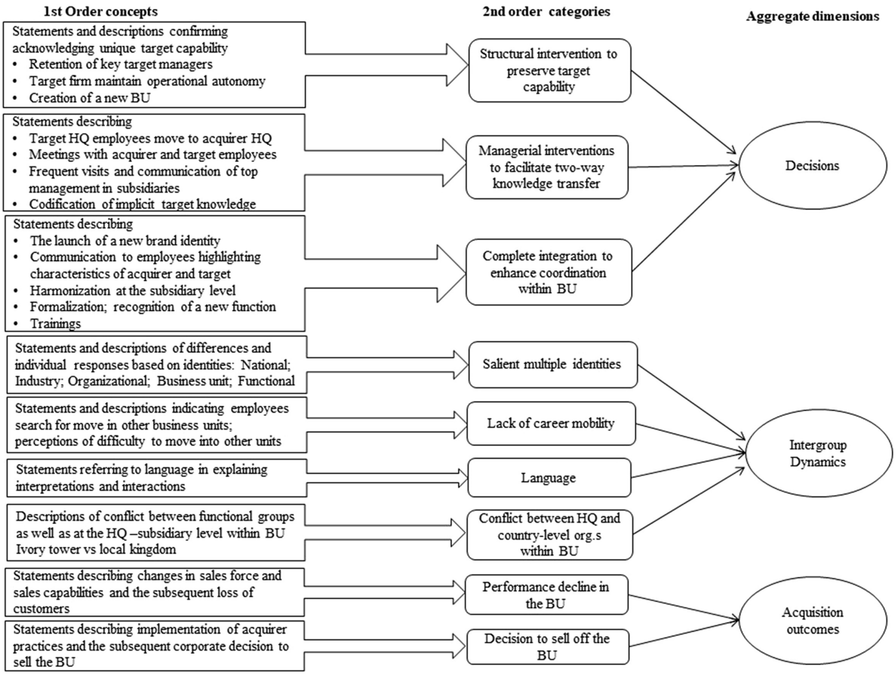

Figure 1.
Data structure

hair care business and notably in Europe. However, acquisition implementation was delayed due to differences in legal context, allowing FamCo's top management to announce that business would continue as usual. Once the issue was resolved, FamCo's CEO accepted responsibility at ConsuCo's leadership council. FamCo's retail business was subsequently integrated into ConsuCo's existing business unit one year after the acquisition announcement. One year after the acquisition announcement, ConsuCo announced the establishment of a new business unit, which would be led by FamCo's CEO. FamCo's professional hair care business and fragrance business were brought under the newly established unit and FamCo's top management continued to lead the new business unit.

Given that FamCo's professional hair care business relied on relationships with customers through direct sales, retention of subsidiary managers and their decision autonomy were key to FamCo's success in professional hair care. Thus, retention and continued autonomy of FamCo's top management alongside its country-level managers allowed continuity in FamCo's professional hair care business, including its workforce.

Managerial interventions to facilitate two-way knowledge transfer

The decision was made to move FamCo's headquarters to ConsuCo's European headquarters (HQ) two years after the acquisition announcement. In order to facilitate knowledge transfer, FamCo employees from country-level organizations were brought into HQ and given ConsuCo contracts. FamCo employees needed to understand the systems, policies, and procedures of ConsuCo, while ConsuCo employees needed to understand the professional hair care business in order to integrate FamCo's expertise.

> [For the FamCo people, the move] was to understand the systems and the policies and procedures of the ConsuCo organization, and for the ConsuCo organization and ConsuCo people, it was to understand the business. (FamCo M1)

During the move, the intention to retain FamCo employees continued. The move of FamCo's HQ employees did not prompt much change in the way FamCo ran its business, notably through a decentralized structure that allowed country-level managers considerable decision-making autonomy. For FamCo employees at the ConsuCo HQ, the move to ConsuCo HQ only involved adding new processes and procedures alongside a new corporate language.

> It was just to add some new processes, to add new ways of- I do not know- new ways of meeting, alignments, adding some acronyms [laughs] to your daily work [. . .]. It was just like adding new things but overall especially in the beginning, nothing changed. Nothing changed in terms of the business. (FamCo M6)

However, FamCo employees struggled at ConsuCo' European HQ. In parallel, the few ConsuCo employees at the country-level organizations were also having difficulty, as the FamCo approach was different than the approach at ConsuCo:

> It was difficult for the FamCo HQ people just to integrate themselves into the broader ConsuCo environment. [. . .] People have to get to know those kinds of processes already existing within ConsuCo and for the [country organizations] the change was not of course as big, as huge, as for the HQ. We just kept working as [country organizations] at that point of time. We kept our organizations. Some things changed, obviously, but not so dramatically. (FamCo M2)

> [T]he essence of the business itself was not touched during that time. (FamCo M5)

Following the FamCo's CEO's decision to retire two and a half years after the acquisition announcement, FamCo management continued to lead the professional hair care business unit. In the fourth year after the acquisition announcement, after the integration at the HQ, ConsuCo executives were appointed to lead the business unit.

The new ConsuCo management traveled frequently between the country organizations and met with local FamCo employees. Special time was allocated at the leadership meetings to continue communicating and recognizing various FamCo's successful practices in different locations. Structures including web-based spaces were built to facilitate best-practice search and transfer. A project team was put in place. Their first major effort was to codify FamCo's implicit knowledge and identify the drivers of the professional hair care business. The new management aimed to develop a global business building on capabilities of both ConsuCo and FamCo.

> Because FamCo was not global; they had businesses in many countries, but they were not global. (ConsuCo M6)

The new management team sought to build a new identity for the professional hair care business that reflected the strengths of both ConsuCo and FamCo. They emphasized their intent to build "a global company with FamCo's passion and ConsuCo's discipline". As one country manager indicated:

> We did a lot of communication to the organization; it was a bit like best of both worlds. ConsuCo can offer a lot of good things, FamCo can also have a lot of good things. So, just creating a new company. OK. It was not like "Ok we will create and assimilate FamCo business and culture" but it was much more the objective to start something new. It was the objective. (FamCo M2)

Thus, the intention was to bring the best of both together.

Complete integration to enhance coordination within BU

The new management observed that FamCo businesses in subsidiaries were continuing the way they did business before the acquisition. As the integration had not taken place at the country level, the FamCo employees did not appear as ConsuCo employees in the ConsuCo systems, which hampered the information flow between the HQ and the country-level organizations. For example, the FamCo employees at HQ even had difficulty finding phone numbers for their former colleagues in the country organizations. Moreover, there was little interaction with ConsuCo employees and FamCo employees even within the same country as FamCo and ConsuCo remained as separate entities. FamCo employees could not participate in ConsuCo events and could not access certain information available to ConsuCo employees. In addition, until the arrival of ConsuCo managers, FamCo's employees in country organizations had received limited communication from ConsuCo.

The new management noticed that some FamCo practices within the country-level organizations were not aligned with ConsuCo's corporate principles. As a result, there was a decision to more completely integrate operational practices. This effort involved the integration in functions, systems, and processes as well as the harmonization of HR processes across countries. Frequent communication to FamCo employees followed, with letters from management and corporate magazines detailing the progress of business, the launch of the new brand identity, and participation in industry events.

Inter-group dynamics

Multiple identities

We observed that multiple identities became salient at different times in the integration process. These identities included national (United States versus Germany), corporate (ConsuCo versus FamCo), industry (retail versus professional), functional (marketing versus sales) as well as headquarters versus subsidiaries (or country organizations).

Different identities became salient at different times in the postmerger integration process. The national and industry identities were salient in FamCo employees' evaluations after the acquisition announcement. A majority of the employees, particularly those in the professional hair care unit, remained after the announcement due to their loyalty to FamCo. However, for some, the idea of working for an American company was not possible and they left immediately.

> He gave me a call and he said “You know what. I do not want to work for an American company.” I said “Well but you do not know ConsuCo”. ‘But it is an American company.’ I said ‘but give it a chance. Give it some time”. “No. I am not willing to work for an American company. Full stop. ConsuCo is not the company I desire to work for”(FamCo M4)

> The FamCo culture was a culture that was quite dominated by the hairdresser business. ConsuCo obviously, it's a totally different story. You move into such a company, the concern was: “Will they understand the business? Will they make the right choices? Will they maintain the investment levels? Ok? Will they keep top management, middle management?” A lot of questions.” (FamCo M2)

These national identities were also salient during the initial presentations made to FamCo employees.

> [W] e found it funny the way they acted, the way they presented, in this hyper dynamic, a bit entertaining way which was more typically American. Of course, for Germans it was: “What are they doing there? Being loud and trying to be funny”. (FamCo M8)

FamCo's corporate identity (a sense of family, the importance of relationships within the company and with customers, as well as being trendy and serving a niche customer segment) was salient in FamCo employees' evaluation of their new work environment.

> First of all, I think what is missing is the feeling of belonging to the family. And the family, basically your colleagues. And the way FamCo did was totally different from ConsuCo. (FamCo M1)

> The hairdressers were there in FamCo. So, on one floor, you had like a full studio where seminars were held, fashion shows, and a lot of hairdressers coming every week to attend seminars. So, it was a very lively place, a very colorful place and a very stylish place somehow. I think there was one thing as well when people were coming to ConsuCo and they were like "They want to do fashion and be trendy? Look at them." (FamCo M8)

The more FamCo employees were exposed to ConsuCo, the more salient the industry differences became: consumer goods versus beauty business, selling through retailers to consumers versus direct sales to professionals (hair salons and hair dressers), or mass versus niche market. FamCo employees were skeptical in light of the two organizations' very different industry characteristics; thus, they were not convinced that ConsuCo would understand the particularities of the business.

> So, this was the thinking of FamCo people: "They will never manage to understand this business because the mentality of the company is different; they are a pure retail company; they are not a company that can handle this salon business". So yeah, a lot of people were quite against the change in many ways. (FamCo M6)

Furthermore, FamCo employees also observed that career trajectories at ConsuCo were different in relation to different functions. For example, FamCo's marketing and sales employees had conflicting interpretations of the significance of the changes.

> In marketing, a lot of people were quite happy [. . .] because ConsuCo has very big knowledge. Marketing is one of the strongest functions. A lot of people saw it as a big opportunity to learn a lot. FamCo was smaller; the focus was on the professional business where you do not have very big marketing. (FamCo M6)

> If you speak to somebody in marketing coming from FamCo into the ConsuCo setup that person is going to tell you "Hey, that's so different!", because marketing at ConsuCo is definitely something different from that of other companies, right? [laughs]. (FamCo M2)

> [O]bviously on paper sales people in FamCo could have a great career at ConsuCo. I do not think this will happen, because the people in the professional business know the professional environment; they do not know the retail environment. The move towards ConsuCo is difficult for them. (FamCo M5)

Thus, when these identities became salient the acquisition was interpreted as a threat.

As such, functional identity (e.g., marketing versus sales) generated different interpretations and reactions. As marketing was king at ConsuCo, FamCo marketing people saw it as an opportunity for career development. On the other hand, FamCo's salespeople felt their careers would be limited to the professional business; thus, they would not have the same opportunities for career advancement as other employees in the new corporate structure. Finally, FamCo employees assigned to HQ had different interpretations (opportunity rather than threat) than those that remained in the country organizations as they were closer to the sources of information and had begun to learn the corporate language.

During the integration process, other events contributed to the interpretation of threat: the retirement of the FamCo CEO; the replacement of FamCo's head of professional hair care with a ConsuCo leader; the arrival of other ConsuCo executives; and the projected fate (redundancy) of those who had been integrated in the retail businesses. This led to feelings of anxiety or resignation (Scherer and Tran, 2003).

Thus, events within the processes also made salient different identities, which in turn influenced how those events were interpreted. Furthermore, as presented on Table 3, those interpretations evoked distinct behaviors (e.g., turnover, resistance, etc.) as well as emotions, such as anxiety, acculturation stress, or hope.

Table 3. Salient identities, interpretations and reactions

	Representative Quotes	Reactions: Emotional	Reactions: Behavioral
National	*"Of course, when you're the target company that is taken over the ConsuCoers as they call them, they are completely consumed by the ConsuCo process and the ConsuCo principles and values and so on.* ***But FamCo people are a bit more cynical,*** *what is the word, yeah, a bit cynical to that. They see it culturally American language,* ***the American speak does not particularly resonate with Asians or Europeans and they do not really believe that some of the nonsense, to be honest,*** *that is spoken.* ***Some left, some want to stay and grow*** *with the organization or with the wider organization but I think some do not. Not because they are not ambitious, but they are not into the culture.* ***They do not see the culture as something that they individually like and they just*** *. . .* ***some of them just leave*** *and it's a shame because they are good people"* (FamCo M7)	Cynical Hope	Turnover Engagement/ Continuity
Company	*"When I arrived the motto was, yeah leverage the tacit knowledge with blabla but still at the end of the end of the day when you go to an important meeting, they ask you for data. We did a lot of fundamental understanding on how the professional industry works we have done some studies [. . .]* ***If you say this to FamCo people they will say "yeah yeah, ok, thank you. Thank you, I knew this, I did not need the data." So, people may get a little bit frustrated.****"* (ConsuCo M9)	Frustration Feeling not valued	Passive resistance
Industry (Retail vs professional)	*"There were also excuses that they did not understand the language, that they did not understand the content from a language point of view but as well from a technical point of view [. . .] I was experiencing was that* ***people were getting aggressive.*** *Aggressive also toward me.[remembering a specific instance]; this person, for example,* ***after the meeting pulls me out and was telling me, - "I do not want you to talk like that to me. I know what I have to do and I do not need you to tell me in front of people what I have to do. I am not stupid, I am not a little child****'"* (ConsuCo M7)	Upset	Aggressiveness
	"***People were like 'Come on he is coming from [ConsuCo brand]. Oh my God, he said this this and this. He has no clue***'." (FamCo M8)		Degrading the other

(*continued*)

	Representative Quotes	Reactions: Emotional	Reactions: Behavioral
HQ-Subsidiary	*"I brought someone in [to ConsuCo headquarter from FamCo subsidiary] who had reputation to be one of the best [marketing] managers in the market from FamCo who was [XYZ]. I've heard tons of great things about him. Brought him into [ConsuCo headquarters] and* ***after probably eight months, we sent him back home****. He had* ***massive issues adapting*** *to this very unpragmatic way of developing innovation etc. with a lack of understanding around him also the strong sense of 'we know it better' around him from ConsuCo heritage people who said 'no you need to go through the [ConsuCo] process, you need to do this and that, you need to prove that . . . ' he said "That's bullshit. We know all that. We've done it for twenty years. We can spend another three months of work, me and my team, with the same results so why do not we just do it". So, he was* ***basically getting frustrated in the ConsuCo environment*** *in [ConsuCo headquarter] and [ConsuCo headquarter] people saying "He does not get it. That's just the way we work". So, two different worlds not clicking, not connecting.* ***You know these spread as well "if you go to*** *[ConsuCo headquarter]* ***watch out. Do you know who has been killed there****?" There was two or three before I came that had been there who were not successful, so no one from FamCo going in [ConsuCo headquarter], making it except* ***for very very few that then I think had the reputation to have been brainwashed and not the same people than before, losing all their good things from FamCo they had before."***	Frustration	Conflict Resistance Avoidance Intra-group conflict

Table 3.

Lack of career mobility

For some FamCo employees, ConsuCo's position as a large MNC offered potential for career progression and learning; some of these employees wanted move to other ConsuCo business units to become more fully ConsuCo employees.

> I wanted, I had to fight for it, but . . . because they said, "We need the FamCo people in the FamCo business unit." I said, "I do not care because if I really want to be integrated in this company, I need to change; I need to go to a ConsuCo business unit." (FamCo M6)

However, FamCo employees perceived that it was mostly ConsuCo employees coming into the FamCo hair care business and that moving to other ConsuCo business units was difficult for FamCo employees.

> I would say there was [ConsuCo employees] coming more and more from other businesses but it was very difficult to go out from FamCo to other businesses especially when you had this FamCo background. (FamCo M8)

Due to limited mobility to other ConsuCo business units and with ConsuCo employees taking positions within the FamCo business, these FamCo employees did not feel that they were valued nor that they could add value to the company or have a future in the company.

> Exchange people from one side to the other. Over time, in an acquisition there is a constellation that you are creating only a one fuel direction. One direction, where people are coming from one side to the other but not vice versa and that is not good. (FamCo M2)

The arrival of ConsuCo employees and limited internal mobility for FamCo employees coupled with the difficulties experienced within the ConsuCo environment all instilled feelings of inferiority among FamCo employees.

> Many of them felt that they were inferior. They did not think that they could be in ConsuCo. The "great ConsuCo" and we'd be ConsuCo employees. (ConsuCo M7)

So while FamCo employees saw the opportunity to move into other ConsuCo business units, ConsuCo management needed them to stay at FamCo because of their knowledge in the professional hair care market. Therefore, they were frustrated and became anxious about their future in the company.

Language

Not only did language, (whether national, corporate or functional), mobilize different identities, it also contributed to intergroup dynamics. Language made different national identities salient. Although English was the corporate language at ConsuCo, local languages were spoken at FamCo's subsidiaries. Consequently, communication was limited for FamCo employees who did not speak English. Moreover, employees who had to communicate with their counterparts or superiors in other countries were hesitant in interactions according to their different levels of language proficiency.

Furthermore, understanding ConsuCo's corporate language was difficult even for English-speaking employees. FamCo did not have the kind of common language that existed at ConsuCo. Most processes and terminology used at ConsuCo were standardized across different businesses. Therefore, having been recruited as new graduates, most ConsuCo employees were used to the corporate structures, systems and standards as well as the language. Employees could easily continue their work even when they changed business units or locations within the company. However, the logics and terminologies used in daily work at ConsuCo did not resonate with previous work at FamCo.

Language differences resulted in different interpretations not only of events in the integration process but also of how the different business units and functions operated. Some ConsuCo employees noticed the lack of common language and the subsequent dynamics, and therefore sought to ameliorate interactions with FamCo employees through better understanding. However, other ConsuCo employees expected FamCo employees to learn through the interaction and training sessions that the corporation launched to support the integration of FamCo employees.

Conflict between HQ and country-level organizations

After the move of Famco HQ to Consu HQ, conflict emerged between FamCo's country-level organizations and the HQ. Efforts to improve processes to bring innovation into the market did not bring the expected result, instead generating friction between the central and country-level organizations. In contrast, FamCo employees who were brought to HQ from country-level organizations to facilitate understanding of the professional hair care business acquired ConsuCo language as they worked beside ConsuCo colleagues. These employees sought to make improvements by implementing ConsuCo processes, while employees at country-level organization sought to maintain the continuity of business.

> And the day they [FamCo employees] came to [ConsuCo European HQ], mad it was. Because as soon as you are in to [ConsuCo European HQ], you are in a place where you can learn ConsuCo skills, you pick up the ConsuCo culture, the atmosphere, you take it all in, but you are disconnected from the countries from the customers who just say "You've taken the ConsuCo medicine or something", right? (ConsuCo M1)

According to FamCo employees in the country-level organizations, the FamCo HQ employees had difficulty in adapting to the ConsuCo culture and therefore cared about their own future rather than the future of the business. FamCo HQ could not resist corporate-level initiatives in functional areas, particularly after FamCo management left and ConsuCo management was appointed. Thus, they have not been able to ensure that the appropriate actions are taken in relation to the professional hair care business. As a result, there was polarization between the HQ and country-level organizations within the business unit.

> In the daily business not being a ConsuCo-er due to the strong company culture they had, most of the FamCo did not really have a chance of: A-surviving or B- seeing a chance for a career. There were a couple of few exceptions but not sufficient to make sure that what had made FamCo business could survive in the ConsuCo culture. Because at the end of the day, they ended up with survivors who are looking for their own benefit with the new setup but not caring enough for the business. (FamCo M5)

> Whereas you have a number of people who were average in FamCo, went into ConsuCo HQ were simply trying to please ConsuCo leadership, did not really push back on anything. And then you had the countries that had even more dislike for ConsuCo HQ (ConsuCo M7)

Along those lines, new product initiatives were unsuccessful as the customer focus was lost while developing new product initiatives.

> Because the FamCo business was very much "Guys in the market, tell us what you need. What does an initiative look like? What is the product the hairdresser would like to get?", [customers] were much more involved in the design of the future. And then in the [ConsuCo European HQ] structure you have the people sitting in here in the ivory tower and they know exactly what the market needs. And then we failed one [initiative] after the other. (FamCo M4)

Most of the time, conflicts were between the "ivory tower" ("You do not know how to execute strategy") and "local kingdoms" ("You do not know how to bring in innovation"):

> Once [FamCo top management] left the company, it was like a feeling that there was a flood of ConsuCo people into functions, strategic functions first; then it was the fight between the countries

> and the HQ: "You do not understand the business." [versus] "you do not know how to execute our strategies" (FamCo M5)

FamCo country managers were questioning the changes that ConsuCo employees sought to bring. According to FamCo employees, such changes would slow the responsiveness in the market and hamper relationships with customers, thus harming the business.

> So, you had [FamCo employee] questioning of channel management, questioning of [the] focus of where you want to grow. (ConsuCo M9)

The lack of common understanding became apparent to ConsuCo employees when they worked directly with FamCo employees. According to ConsuCo employees, the different corporate language and ways of working at FamCo and ConsuCo created conflicts within teams and made relationships difficult between FamCo and ConsuCo employees. When FamCo employees could not support explanations with facts and data, as was the common ConsuCo approach, they were often not listened to. Furthermore, FamCo employees did not feel that ConsuCo shared their core value of the importance of professional "family" and relationships to the business. Under such circumstances, FamCo employees could either resist or submit, as clearly illustrated in vignettes presented in Appendix.

Acquisition outcomes

Performance decline at professional hair care BU

Structural interventions designed to facilitate knowledge transfer interrupted previously shared understandings and routines at FamCo following the efforts to enhance coordination through imposing standardized routines that were not appropriate to the business unit (big retail customers versus small professional salon owner).

The implementation of ConsuCo processes and systems coupled with the imposition of the centralized matrix structure slowed down business operations and hampered FamCo's responsiveness in the market. In addition, following the introduction of ConsuCo's marketing and sales practices, the sales organization had undergone restructuring during which most FamCo sales employees had left or been replaced. Most of the FamCo country-level managers had also been replaced or had left by the time integration was complete in the countries. As a result, customers were lost and business unit performance continued to decline.

The importance of FamCo's customer relationships and its direct sales force within country-level organizations became clear when ConsuCo's product-oriented strategy did not deliver the expected results. Consequently, ConsuCo employees became aware of the particularities of the professional hair care business. They acknowledged that ConsuCo employees had not sufficiently listened to FamCo employees and had neglected their input. A new management was appointed and a new phase started to recover from past mistakes. The importance of direct sales and education functions, customer relationships, and brand image as well as visibility among hair dressers and stylists were all given more importance. Special attention was placed on the selection of employees for key functions in light of these particularities within the business unit. Nevertheless, performance declined because the relationships with customers had been broken.

Decision to sell off the professional hair care BU

Despite the motivation to acquire capabilities in the professional hair care market, the decision was taken to sell off the professional hair care business. During the last period of postmerger integration process, ConsuCo employees gathered data and facts in efforts to codify FamCo's implicit knowledge. Simultaneously, ConsuCo's capabilities in external relations were leveraged to better reinforce FamCo's reputation and relationships within the industry. A global sales function was established within the business unit to ensure consistency of practice across subsidiaries and the function-specific capability plans were deployed. Training sessions were rolled out to develop a common understanding. Through formalization and standardization, a global commercial operation was established within the professional hair care business unit at ConsuCo.

However, ten years after FamCo's acquisition, ConsuCo's corporate management changed, and the company embarked in a new direction. ConsuCo decided to narrow its focus on fewer, fast-growing brands that best leveraged ConsuCo's core capabilities. Consequently, twelve years after the acquisition announcement, the FamCo business was sold.

Discussion

This study aims to provide a deeper understanding of how identities might enable or impede the acquisition of sought-after capabilities. Here we present a cross-border M&A case study wherein the motive was to acquire the capabilities of the target firm. We examined decisions made during the postmerger integration process as well as subsequent intergroup dynamics to gain deeper insights into postmerger integration challenges and their consequences. Our study responds to calls to better understand how identities may influence strategic outcomes (Sarala *et al.*, 2019). In addition, it provides further empirical evidence illuminating postmerger integration challenges following the acquisition of complementary target capabilities (Zaheer *et al.*, 2013), thus offering additional insight into how decisions and actions taken are interpreted through different identities which promote intergroup dynamics which may in turn influence acquisition outcomes (Kroon *et al.*, 2022).

Our study makes several distinct contributions to M&A studies. First, our study highlights how different identities become salient at different times during the postmerger integration process and how language plays a role. Second, our study reveals how different identities made salient lead to different interpretations which in turn lead to emotional and behavioral reactions at the individual and group level. Third, our study provides further insights into how the salience of different identities create intergroup dynamics which may interfere with sought-after capabilities. Finally, our study reveals the consequences of intergroup dynamics during the postmerger integration process.

Interpretations through multiple identities

Our study complements previous M&A research highlighting multiple identities as they become salient in cross-border M&As (Tarba *et al.*, 2016). We find that multiple identities become salient during the interpretation of key decisions and events during the postmerger integration process; national, corporate, industry, functional, and HQ/subsidiary. Decisions and events create ambiguity during the postmerger integration process (Kovoor-Misra and Smith, 2008), triggering different interpretations in accordance with which identity becomes salient. Thus, our study also highlights the "identity struggles" (Langley *et al.*, 2012) following the acquisition of capabilities.

Different interpretations and reactions

Our findings complement the insights of previous M&A studies by revealing how different interpretations from distinct identities lead to different emotional (such as hope or anxiety) and behavioral (such as support or resist) responses at the individual level and group level (cf. Graebner *et al.*, 2017). In our case, we observed that acquired employees perceived the acquisition and the loss of acquired employees as a threat and therefore were anxious about the changes. For some acquired employees, the move to the HQ was an opportunity for career advancement. For others, it was a threat to individual careers. Moreover, for some acquired managers, improvement of processes was an opportunity to strengthen acquired capabilities, whereas for some others such initiatives were a threat to business. For the acquirer managers, the opportunity at hand was to build a global business and enhance business performance by leveraging acquirer capabilities within the acquired business. However, the conflict and polarization as well as a lack of coordination between HQ and country-level organizations were a threat to business.

Our study highlights the different interpretations of employees belonging to different groups or departments during postmerger integration process (Brannen and Peterson, 2009). This work further complements previous studies highlighting the ways that identity threats may mobilize target managers to take action to promote cohesiveness to preserve their unique capability (Colman and Lunnan, 2011) while challenging and questioning actions that might affect the acquired capability (Colman, 2020). Acquiring managers might also take actions to facilitate the emergence of serendipitous value (Graebner, 2004) and the transfer of capabilities based on the perceptions of opportunity (Colman, 2020).

Role of language

Our study also complements the insights of previous M&A studies drawing attention to the role of language in interactions (Vaara *et al.*, 2005; Piekkari *et al.*, 2005; Kroon *et al.*, 2015), extending their insights further by revealing how language plays a role in knowledge sharing and capability transfer during postmerger integration process. In our case, we see how language rendered identities salient and how managers framed the challenges as “language difference”. In our study, the core capabilities of the acquirer and acquired firms were built on different mindsets, which also implies different meanings even within the same language. These different mindsets are thus ingrained in routines as shared understandings. These include understandings of what to do in a specific situation as well as understandings of what the organization does and why particular actions are appropriate (Feldman and Rafaeli, 2002).

For example, at FamCo “family” and the nature of the industry (professional hair care) meant that long term relationships were extremely important, implying loyalty to the company as well as to employees and customers. The importance of long-term relationships also resulted in language being more “high context” (Hall and Hall, 1990). Given shared experiences and acculturation in the trade and in the company, decisions were based on intuition, that is, on experience which is not necessarily easily articulated. The decentralized structure also meant that country-level organizations had more to say, thus the importance of local versus HQ (i.e. German) or global (i.e. English) language at FamCo versus ConsuCo. The “family” model and the culture of professional hair care encouraged more direct contact with customers and between employees as well as more informal verbal communications and greater information sharing; thus, knowledge was embedded in relationships and therefore tacit and acquired via learning by doing.

On the other hand, at ConsuCo, the role and importance of HQ’s global outreach relied on formal (written) communications and documents, clear policies, and codified processes and procedures. Everything had to be spelled out, made explicit (low context; Hall and Hall, 1990), and communicated in global business language, specifically English. The nature of the industry (FMCG) and its retail/mass market required market research and centralized decision-making based on facts and figures. Furthermore, customers of ConsuCo were mostly large MNCs and thus likely to speak English. The differences in task versus relationship orientation also favored more formal communication and written policies and procedures (explicit knowledge, low context).

Thus, our study complements previous studies highlighting how the degree of codification and tacitness of knowledge might impact knowledge sharing and transfer (Empson, 2001). Moreover, our study also shows how the acquirer managers might seek to reduce the differences and why this might be the case and with what consequences. For example, the acquirer managers sought to reduce the differences by codifying the implicit knowledge of the acquired firm, implementing the acquirer systems and processes despite the questioning and warning of acquired employees. Thus, our findings highlight how members of the acquirer firm might be more open to accept the prototypical arguments coming from their ingroup (cf. Knippenberg and Wilke, 1992), and demonstrate ingroup bias in processing information, what Mackie *et al.* (1990) refer to as ingroup persuasion effect.

These findings also extend the insights of previous studies from the social identity approach such as Liang *et al.* (2021), who highlight how the ingroup sensitivity effect is relevant for M&As demonstrating that acquirer employees might respond negatively to the criticisms of acquired employees even when learning is the motive of the acquisition. Therefore, acquirer managers can implement actions to facilitate the emergence of serendipitous value and transfer of capabilities (Graebner, 2004; Colman, 2020). However, in our case, efforts to acquire FamCo capabilities were based on ConsuCo lens, through standardized procedures, which interfered with the acquisition.

Intergroup dynamics

Our study highlights how the heightened salience of different identities contribute to intergroup dynamics complementing studies from the social identity approach (e.g., Giessener *et al.*, 2006; Lupina-Wegener *et al.*, 2014). For example, perceived threat to identity can lead to different responses within the acquired organization: seeking social mobility or protecting pre-merger identities. In our case, some employees sought mobility in the wake of structural interventions while others remained focused on protecting and preserving unique capability of their pre-merger organization after the acquisition. Given perceptions of impermeable boundaries, members that sought mobility started to leave the postmerger organization. Members that sought to protect pre-merger capability got into conflict with the members from the acquiring organization, even though we observed that the acquirer managers sought to help the acquired employees transition into the postmerger organization. Thus, our findings are in line with studies which highlight a higher postmerger identification of the dominant group (Ellemers *et al.*, 1992), possibly because this group perceives their continuity in the postmerger organization to a higher extent than the subordinate group (Lupina-Wegener *et al.*, 2014).

Moreover, our study complements previous research that offers insights into intergroup dynamics from the perspective of the acquired business unit to highlight different interpretations and reactions to interventions designed to promote developing a shared identity and to create an optimal distinctive identity (FamCo passion and ConsuCo discipline) (Łupina-Wegener *et al.*, 2015).

Consequences of intergroup dynamics

Our findings complement previous research focused on the impacts of structural integration on acquired organization (Paruchuri *et al.*, 2006; Puranam *et al.*, 2006). We extend Liang *et al.*'s (2022) findings by highlighting that when the unique capabilities of the target organization are the motive of an acquisition, both the acquiring and acquired employees need to learn, though there are different pathways to learning for different sub-groups. In our study, the routines of the acquired capability changed during the postmerger integration process, while routines of the acquirer remained relatively the same. At the corporate level, after an exploration through the acquisition of capabilities, the acquirer decided to refocus its attention on areas where they already had a competitive advantage and were strongly positioned in relation to their core capabilities.

Thus, our findings suggest that learning outcomes might be persist or change for the acquiring entity depending on the characteristics of acquirers. Previously Pablo (1994) highlighted that acquirers' multiculturalism might influence the decisions regarding the level of integration alongside task and political considerations. Thus, in line with previous research (Stahl and Voigt, 2008), our findings demonstrate that rather than cultural differences between the acquirer and target, the multicultural character of acquirer and target firms might more profoundly influence M&A outcomes. In our case, both ConsuCo and FamCo were rather monocultural which may have influenced the failure to create value.

Managerial implications

The managerial implications of this study are as follows. First, this study highlights the dynamics in acquisition process (Jemison and Sitkin, 1986). Thus, acquirers need to be mindful of the different possible interpretations of design choices and integration decisions to facilitate preservation of acquired capabilities and subsequent value creation. Second, different interpretations may reflect different identities that become salient during the postmerger integration process and that result in emotional and behavioral reactions of individuals and groups. Paying attention to these reactions and understanding the possible underlying threats to identity, managers can help to minimize perceptions of threat and optimize perceptions of opportunity. Moreover, acquirers might adopt a social community approach and facilitate interactions among members of merging groups to develop innovation capacity (Verbeke, 2010) so that the postmerger organization can be built on the strengths of distinct perspectives (Łupina-Wegener *et al.*, 2015) that underly the capabilities.

Paying special attention to language, whether national or corporate, can help to avoid misunderstandings as well as the potential for increased conflict and the politicization of issues (Vaara, 2003). Furthermore, understanding how language is encoded in routines can help to make the implicit more explicit and thus easier to transfer knowledge. In addition, recognizing the role of language in facilitating and shaping interactions is essential for a successful integration process as well as for the emergence of value. Managers should be aware of how language makes identities salient, making an effort to facilitate capability transfers by decoding and speaking the language of the "other".

Boundary conditions, limitations, and further research

As these insights are drawn from a single case study, certain boundary conditions need to be considered for the transferability of our findings (Lincoln and Guba, 1985; Miles and Huberman, 1994). In our study, perceptions of the integration of the retail businesses were collected retrospectively and thus may have been limited compared with perceptions collected throughout the integration process of the professional unit. Due to the sensitivity of the subject, the majority of the primary data was collected through interviews with former employees; those who were still employed were mostly from the acquiring organization. Although insights from different country-level organizations were included in the study, these were limited to top management perspectives. Furthermore, the limits of memory along with individual biases of those interviewed cannot be ignored, even when caution was taken to maintain internal validity by preparing a timeline, employing constant questioning, and triangulating between interview data and archival data.

We offer several pathways for future studies. First, our findings suggest that a perceived identity threat might mobilize action to preserve acquired capabilities if boundaries are perceived as permeable and the acquirers' organizational identity is multicultural or incorporates change (cf. Liang *et al.*, 2022; Drzensky *et al.*, 2012). Future studies could focus more deeply on the role and effects of diverse organizational identities on employees' perceptions and behaviors (cf. Kovoor-Misra, 2009) as well as on acquirers' HR flexibility (cf. Sarala *et al.*, 2016) in order to provide further insights into the organizational conditions that allow the preservation of acquired capabilities. Queries into the nature of serendipitous value emerging from interactions between acquired and target managers (Colman and Lunnan, 2011; Graebner, 2004) would also offer valuable insights. Further, as pre-existing inter- and intra-organizational relationships can productively facilitate postmerger integration (Colman and Rouzies, 2019), studies could provide further insights into the identities that become salient in given interactions, asking how these might impact the postmerger integration process.

Longitudinal investigations in real time could similarly provide more detailed insights into the nested nature of employees' identification (cf. Ashforth *et al.*, 2008) as well as into target employees' relational identification (cf. Sluss and Ashforth, 2008) during postmerger integration process. Nevertheless, we believe that the insights revealed here are broadly transferable; divergent interpretations that are forged via differentiated identities and that shape intergroup dynamics occur in many other organizations and change processes as well as in the acquisition of technologies. These insights offer an important starting point for future studies exploring intergroup dynamics following the acquisition of capabilities in other contexts.

Conclusion

Our study provides insights into how different identities become salient during postmerger integration and can interfere with the acquisition of sought-after capabilities. We demonstrate how the different identities influence interpretations of decisions and events resulting in emotional and behavioral reactions. Furthermore, we show how the heightened salience of different identities contributes to intergroup dynamics which may interfere with hoped for outcomes. Summing up, our findings highlight the "identity struggles" (Langley *et al.*, 2012) following the acquisition of sought-after capabilities.

Given globalization and pace of technological advancements in today's world, organizations of all sizes navigate in new territories as they explore new domains and new markets in pursuit of opportunities and new capabilities. However, in the face of globalization, companies as well as countries are facing increasing identity politics. Efforts towards multiculturalism are being met with greater resistance to preserve and protect identity. By paying attention to the different identities that become salient around the decisions and actions taken during the post integration and efforts to transfer knowledge and to develop capabilities, managers can better predict and be better prepared for possible emotional and behavioral reactions. This can help to design interventions that can optimize interpretations of opportunity instead of threat, and reduce intergroup conflict by promoting greater mobility and facilitating the development of shared identities. The challenge in today's world is to provide a balance between globalization and preserving distinctive identities while acknowledging the realities of power and politics. Identity politics need to be addressed head on for companies as well as countries in order to reduce growing polarization and conflict.

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Appendix
Vignettes

Vignette 1

And the level of resistance I have seen is that they are arguing and questioning every sentence I was saying. That was the starting point. The second point is . . . Then you explain what is all behind. The second resistance point was "We do not understand what you are talking about". Ok. You explain what you are talking about, then the third resistance point was "We do not understand why we have to do that. In FamCo we were also successful. Now we have this big ConsuCo coming and telling us what we have to do. We are not stupid, we know what to do". "OK, guys, but you know . . . fine but we have to change things". And then the fourth level was the level of personal objections. And the level of personal objection was that you know, if the people are not buying in the three arguments I was saying earlier, the fourth level I was experiencing was that people are getting aggressive. (ConsuCo M7)

Vignette 2

In ConsuCo there is a standard and that's the global standard and we tell you need to do that way. Ok and we expect from ConsuCo people that if it really is a big issue in a country they will fight back because ConsuCo people, they are fighters and they are not afraid to fight with facts. They will come back and say "No you cannot do it in our country because of this this this and this." And then the central people who are implementing the system will look at it objectively and modify the system globally. What happened is that when we implemented the system [. . .] in FamCo countries the people, central people from ConsuCo had in front of them people from FamCo who pushed back but not in the right way. Just saying "It's bad it cannot work. But they did not give enough details why it cannot work. They did not explain objectively why it will not work in the countries. So, they just said "It will not work". And then the ConsuCo people because it's in their nature they forced them "Yes, it is working everywhere. It is already working in your country for the ConsuCo business unit so there is no reason that it will not work in your country". And so finally FamCo people even signed. You know because we have to sign by the phase that we have tested the system and it is working. They were testing it, they were saying "It is not really working. It is not really what we need, but the ConsuCo people are telling us that we will get what we need so we have to trust them somewhere". And they signed it could work. Then they implemented the system. It was a chaos because it did not work. (ConsuCo M3)

Corresponding author
Güldem Karamustafa-Köse can be contacted at: guldem.karamustafa@heig-vd.ch