BETWEEN EXPECTATIONS AND EXPERIENCE
— AN ANALYSIS OF POST-MERGER INTEGRATION IN TWO MERGERS
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Ranja Frommer
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GROWTH HAS BECOME an essential part of business and company life in these times driven by shareholder value, stock exchange indexes and ‘globalisation’. Mergers are one means a company can utilise in order to expand and internationalise. Compared to organic growth, mergers and acquisitions can, for example, provide instant market presence and local know how. Also, competition in a particular market can be reduced by merging with competitors. The increasing number of mergers and acquisitions undertaken annually world wide and the acceleration of the global ‘merger boom’ could be partially explained by the advantages the merger seems to have over organic growth.

However, whether a merger generates added value for the acquirer is disputed by and large. News on mergers that have become more costly to the acquiring company than initially anticipated or budgeted seems to be more of a tacit rule than surprising. Often, the merged company seems to end up being worth less than the combined companies’ worth before the merger. Thus, many mergers are said to ‘fail’.

A stream of studies has shown that corporate mergers have even higher failure rates than the liaisons of Hollywood stars. (The Economist, July 22nd, 2000)

Some could be considered to fail visibly, others apparently more ‘behind the scenes’. The predictions for many mergers, especially very large and publicised ones, tend generally to be more on the dim side of future outlooks. One rarely reads or hears about highly successful mergers. In that respect mergers suffer from ‘bad publicity’. By and large, their reputation seems to be poor in terms of whether or not they constitute a justified measure of organisational growth, internationalisation etc. Yet they are continuously
negotiated and implemented and thus seem to be, if not well-
liked, then generally accepted nevertheless.

The merger is not an entirely contemporary phenomenon. In the United States there was already a wave of mergers at the turn of the last century in the electrical utility, steel and railway industries. A second wave occurred before the great depression at the end of the 1920s, mostly in the food, chemical and mining industries. The next merger wave in the US took place during the 1960s, continuing until the early 1970s. During those years the large, diversified corporation was created; it bought smaller companies in order to venture into new businesses. Also especially airlines merged during those years. Another wave after this followed during the late 1970s, lasting all through the 1980s. The corporate acquisitions became more varied and the hostile takeover marched into the arena of acquisitions as a more widespread phenomenon. In 1988 the number of acquisitions in the US had doubled compared to 1968. (Helsingin Sanomat, 23.7.2000, section C3)

The merger wave we are now experiencing is said to have started in 1995 and has been called the first world wide merger wave, with more and more mergers originating in Europe. In 1985 70% of all mergers world wide still came about in the US. But in 1999 European companies had doubled the number of mergers just from the previous year. The number of acquisitions in the whole world worth MFIM 32 or more was 8700 in 1999. (ibid.) According to Angwin and Savill (1997), cross border acquisitions within Europe have increased fivefold from 1985 to 1995, their value rising from £2 billion to £20 billion in the same years.

The current wave seems to have a number of ‘initiators’; an unusually long period of economic growth, globalisation, the internet, the interests of investment bankers and the liberalisation of markets. (Helsingin Sanomat, ibid.) The boom in stock markets has made it possible for many corporations to use their stock in acquisitions, thus avoiding debt financing and making deals easier to carry out. (Harari, 1998a) The number of mergers is also rising
now because, for example, technology companies buy other technology companies in order to acquire human resources. (Helsingin Sanomat, ibid.) In addition, merger and acquisition activity is argued to be connected to the volume of trading in the stock market, which in turn increases during times when significant amounts of new information are generated and unexpected changes in economic conditions take place. These in turn multiply the diverging opinions on future prospects. (Golbe and White, 1988)

What makes the merger such a seemingly popular measure for organisational growth, internationalisation and globalisation? The ones benefiting from mergers are, apart from outside institutions involved in making the deals, the sellers and the shareholders of the acquired company, because the company is often sold at a premium. (Helsingin Sanomat, ibid.) An acquirer’s benefit from a merger might be the survival of the company, or gaining valuable resources.

There is another dimension to mergers, however, apart from the purely financial side. The merger is a form of organisational change where many aspects of organising and ‘doing business’ come together in an accentuated way. This makes it not only an interesting phenomenon to study as such regarding all its different facets, but also a useful setting for studying organisational life and one or the other of its many aspects. This duality of mergers as a research subject or setting is fascinating in its complexity. As Santala (1996), for example, points out, the post-merger integration process as a phenomenon is highly complex and extensive. Additionally, it evidently is as all encompassing as organisational life generally. This will to some extent be evident from the review of previous research into mergers and post-merger integration in chapter II below.

The so called ‘human side’ thus seems to play a significant role in mergers and post-merger integration. Mergers can take their toll in terms of employee turnover, for example, or lead to a
continued division of the staff of a company in inherited ‘camps’ stemming from times before a merger. This is hardly surprising to anyone acquainted with the phenomenon merger or acquisition generally. As Löwstedt (1995b) points out, a formal change in an organisation (such as a merger) does not necessarily mean that the organisational members’ way of working will change due to resistance to change, for example. On the other hand, a change in an organisation, whether planned or not, can introduce new patterns of interaction, a reorganisation of structures. (ibid.)

This study focuses on problem areas of mergers and post-merger integration, and special features and underlying dynamics of these problem areas. This study is particularly about a Finnish engineering group operating globally and two of its mergers. The specific focus of this study will be accounted for in detail in the next section.

PURPOSE OF THE STUDY

This study is based on the following research questions:

1. What kind of problem areas can arise during post-merger integration after a merger?
2. What seem to be possible causes of these problem areas?
3. What kind of a role do expectations play in post-merger integration?
4. What seems to influence merger related expectations?

The research questions introduced above are admittedly general in nature. Also, they did not exist in the form presented here at the beginning of this study. Rather, they developed and
changed over time, specifically the two latter research questions. This is not uncommon within qualitative research. Qualitative research tends to be unstructured and to start out from loose concepts and ideas in general, in order to capture people’s perspectives and interpretations. (Bryman, 1989) Analysis emerges over time. (Dyer and Wilkins, 1991) The identification of the research question as well as the use of possible constructs from theory can be helpful, but should be assumed to be open to consideration, as the research question(s) may change during the research’s progression. (Eisenhardt, 1989) The research questions presented above are thus inductive in character, in compliance with the overall nature of this study. Thus, the descriptive and explorative nature of this study does not invite a summarisation of its purpose in neatly narrowed down research questions or hypotheses. (cf. Löwstedt, 1986)

For over one and a half years, from April 1997 until January 1999, I studied two mergers with the aim of identifying and mapping problem areas in the mergers regarding post-merger integration. The Finnish diesel engine manufacturer today called Wärtsilä carried out these two mergers. They were not the only mergers of this corporation, but certainly among the most significant. The first merger studied was between Wärtsilä, then called Wärtsilä Diesel, and the Dutch company Stork-Werkspoor Diesel. The second merger studied was between Wärtsilä Diesel, the Swiss company New Sulzer Diesel, the Italian companies Diesel Ricerche and Grandi Motori Trieste. All general references to this ‘second’ merger in this study include all these companies, even though it is mostly referred to as the merger between Wärtsilä Diesel and New Sulzer Diesel for purposes of readability and briefness. The case mergers will be described in detail in chapters IV, V and VI, where the empirical data of this study are presented and the case mergers are analysed.

The description of the two mergers, their post-merger integration processes and their apparent ‘problem areas’ serve as
the base of this study. The focus is on stories that were told by individuals involved in the mergers about their experiences of them, in an ‘organisational-researcher-as-a-collector-of-stories-from-the-field’ manner. As organisational research can be viewed as field-story interpreting, the analysis in this study commences to interpret these stories from the field. The next step is in turn to tell ‘a story about the stories’, which constitutes the ‘understanding of the text’. (cf. Richards and Richards, 1994, p. 448) The reflective construction of an explanation can thus be seen as being story ‘for and from data’. (idem, p. 449) The ‘narratological’ approach chosen in this study is ‘organisational research written in a story like manner’; i.e. ‘narrating organisations’, typical of case studies. (cf. Søderberg, 2000) The story told here, with its particular author dependent narrative voice, should be viewed as being one of or ‘alongside’ all other possible stories that could have been told. (cf. Pentland, 1999) As a tool and medium for research the story has taken a more central role within organisation studies in the past few years. Organisational theory is influenced by a variety of other disciplines, mainly from within the social sciences. The emergence of the story within organisational theory is subscribed to an infusion of literary theory into this genre. (cf. Czarniawska and Sköldberg, 1998)

‘Science’ is closer to ‘narrative’ than one might think. (Czarniawska, 1997, p. 7)

In the story presented here the focus lies on difficult aspects of the studied mergers as presented in the individual accounts, i.e. stories. The interviewees’ accounts have been analysed with regard to the ‘problem areas’ of the mergers as well as how interviewees’ experiences corresponded with their evident expectations regarding (aspects of) the respective mergers in particular. A detailed account of the research strategy employed in this study as well as the specific path of analysis will be given below in chapter III.
The nature and ‘extent’ of the ‘problem areas’ encountered in the case mergers evidently differed. What they seem to have in common, however, is that they were counterproductive in terms of the integration of the two respective merging companies. Some of the evident reasons, i.e. causes, for the studied ‘problem areas’ are examined in this study in more detail. The results of this study indicate that the expectations people had of the organisational change that they were a part of seemed to play a significant role in how the change process was perceived, experienced and reacted to.

In the light of the research set-up and the research questions guiding this study, it is the purpose of this study to

✓ describe and examine the problem areas that seemed most significant within the studied mergers and their respective post-merger integration
✓ examine the expectations of a merger and post-merger integration
✓ examine the role that expectations play in post-merger integration.

This study should be seen as complementary to other organisational research. Its purpose is to contribute to the understanding of organisations, i.e. to contribute to knowledge of society in its organising form and to enriching the way organisations are viewed. (cf. Hellgren and Löwstedt, 1997) The role of expectations and ‘evidence’ for their significance will emerge during the presentation of this study. The descriptive and explorative nature of this study requires some patience on this point from its reader, as it follows a story like style and thus needs to be ‘built up’ in a story like manner. The reader needs to be taken through the emergence of the findings of this study from its data, as this process is crucial to evaluating the presented findings. In addition, expectations and their role seem to be under-researched in conjunction
with mergers and post-merger integration. Research into mergers and post-merger integration is criticised for being too general and universal at times, and therefore, more focused and less ‘broad brush’ research, (Cartwright, 1998) which focuses on a specific aspect, or ‘intensive sector’ (Santala, 1996) of post-merger integration could be of more use both theoretically and practically. In other words, research into mergers and post-merger integration could benefit from investigations into specific aspects of a phenomenon or phenomena studied, taking it further into the underlying dynamics of the complexity that seems to characterise mergers.

The examination of expectations and their role in mergers and post-merger integration does have a psychological connotation to it. According to Hellgren and Löwstedt (1997) the application of theories and thoughts from other genres can enrich our understanding of local phenomena such as an organisation and the actions related to it. Also, they consider this infusion to be beneficial in terms of counter acting simple interpretations of phenomena. (ibid.) Also Blomberg (1995) points out that extensively studied research areas (such as competence or learning) have benefited from the infusion of phenomenologically inspired perspectives, for example, as these have introduced new and thought-inspiring results. The academic contribution of this study lies in the psychological colouring of the data analysis. This is, however, not a study in psychology, but continues to be representative of research into organisations, ‘organisation theory’.

The ‘problem areas’ of the case mergers were studied because the focus of this study is on the dynamics behind their birth, on understanding their emergence. This can lead to enhanced understanding for the management of mergers and post-merger integration processes in particular. The knowledge and insight accumulated in this study can be utilised in practice to increase awareness of the human side of mergers, i.e. the people involved in such a change process. Frustration and trauma could
be diminished if not for all then for many parties involved in a merger. This would be in line with what seems to be generally expected of research within organisation and management studies, as it evidently tends to be highly normative. Answers and advice seem to be expected of it regarding practical problems, because of its inclination to search for the improvement of organisations and the actions within them in a more effective direction. (Gustafsson, 1994)

…organizational research is pervasively concerned with the promulgation of practical knowledge. There are other areas in the social sciences which reflect a similar commitment, but a very large proportion of organizational studies are directly or indirectly concerned with practical issues. (Bryman, 1989, p. 4)

Also Larsson (1989) sees the analysis of mergers in the light of organisation theory and behaviour as a solution to understanding how the combination of companies could be mediated into performance. The pragmatic nature of this study is of importance due to the world view, i.e. the paradigm\textsuperscript{1} employed to guide this study. The paradigmatic aspects of this study will be discussed in more detail in the next section of this chapter.

ONTLOGICAL AND EPISTEMOLOGICAL CONSIDERATIONS

In the previous section, this study’s purpose and focus were described. In order to position it within the world of research, the chosen ontological and epistemological point of departure will be investigated in this section. A chosen ‘theoretical perspective’\textsuperscript{2} will influence a researcher’s conception of what kind of data s/he finds important in order to capture the ‘essence’ of the phenom-
phenon studied, (Eneroth, 1984) i.e. the aspects important to her or him. An account of the pre conceptions of the researcher, i.e. the influences s/he is subjected to, is of importance also in terms of explaining the bias of the study presented. This is significant, as research is not ‘neutral’, and is, as will be discussed below, ‘subjective’. Thus, an account of the ontological and epistemological perspectives chosen by a researcher can be viewed as a part of the researcher’s ‘self-reflection’. (cf. Blomberg, 1995) A chosen theoretical perspective also influences the choice of method, because it influences the researcher’s perception of the world. A chosen method should reflect the researcher’s paradigmatic position. (cf. Gummesson, 1991, Merriam, 1994) In order to position this study regarding methodological and methodical choices, thus subjectively choosing the employed ‘absolute platform’ of truth (Gummesson, ibid.), the underlying line of thinking and reasoning influencing this study will be described in this section.

CONSTRUCTIONISM

This study is representative of the relativistic, ‘constructionistic’ and interpretive school of research. Science cannot be separated from the social, cultural, political and economic environment it operates in; instead, it can be viewed as a social process. Science as a social process requires that science ‘become’ subjective. Science as an ‘objectivistic project’ fails, as there are no facts free from evaluation. (cf. Blomberg, 1995) Or at least we as human beings are not able to capture ‘objective reality’ (due to our limited senses). (cf. Denzin and Lincoln, 1998) Additionally, a researcher cannot place her- or himself outside the society s/he is part of, which contributes to the unlikely notion of ‘objective science’ within the social sciences. (Alvesson, 1998) ‘Objectivity’ as such is sometimes considered to be ascribed an obscure meaning overall in social sciences; a researcher strives for order and control within her or his research, which evidently does not correspond to ‘social reality’. (Alvesson, 1999)
The ‘world view’ adopted in this study is ‘constructionistic’, as it is based on the notion of ‘social construction’. We socially construct our individual ‘reality’ (how we perceive, understand and experience the world), create it through our thoughts and our actions (and interactions with other people and ‘the world’, thus ‘socially’). (cf. e.g. Berger and Luckman, 1995, Blomberg, 1995) This implies that there are in fact as many realities as there are people, because everybody has her or his own ‘subjective perspective’, intersubjectively formed. These multiple realities are thus interconnected, as they are not independent of each other, but we are influenced by the ‘realities’ of the people we come into contact with. (Berger and Luckman, 1995) Aspects such as a common history, culture, belonging to a certain social group or the like can, however, influence and bring together individuals’ perceptions of reality. (Hellgren and Löwstedt, 1997) In addition, each individual perspective can be regarded as a ‘fact’, a manifestation of one subjective ‘reality’. (c.f Gummesson, 1991)

As any theory of bearing, the theory of ‘social construction’ has not remained undisputed (cf. Hacking, 1999). Social construction in this study is employed as a basis for capturing individuals’ accounts of their experiences and perceptions and forming a picture from these accounts; every individual has an individual view of her or his reality. This study should not be taken as representative of ‘radical’ social constructionism which claims that everything is socially constructed. Berger and Luckman, for example, did not propose that nothing exists unless it is socially constructed. The belief that everything is socially constructed seems to spring from another of the common fallacies theories are subjected to; that it is the final and ultimate truth and thus applicable to all and everything. Instead of viewing it as a theory that, once again, brings us closer or increases our understanding of us and our world (and the way we seem to perceive it), i.e. ‘raising consciousness’ (Hacking, 1999). The view adopted in this study proposes simply that our perceptions and experiences
and the classification of them are socially constructed. (cf. ibid.) This is an important distinction, as it lays the ground for the ‘theoretical justification’ of this study. Its findings prove relevant within and because of the chosen paradigmatic approach.

The view of science and the world employed in this study limits the choice of study, because it determines the focus in terms of what and how. When the reality we can study is viewed as being made up of multiple individual realities, these realities become a way of understanding (parts of) reality. Thus this study is of a descriptive, explanatory and interpretive nature regarding the specific phenomenon studied in its natural setting and should, in broad terms, be placed in the qualitative school of research. (cf. Bryman, 1992, Denzin and Lincoln, 1998)

…qualitative research is often claimed to reflect a different form of knowledge in which people’s understandings of the nature of their social environment form the focus of attention… (Bryman, 1989, p. 27)

GENERALISATION

Representatives of a more positivistic and quantitative school of thought might want to question research of this nature along the lines of how a description of a phenomenon could be considered ‘sufficient research’ regarding representation and generalisation, etc. However, the meaningfulness of traditional scientific generalisation has been questioned by and large in the context of the social sciences. (see e.g. Alasuutari, 1995, Strauss and Corbin, 1998) Within the social sciences, the human being and her or his social environment is studied. Considering that human beings are unique, all situations and relations they produce are thus unique. Controlled conditions in a ‘laboratory manner’ are not possible.

The intention is to look at societal phenomena from fresh, unprejudiced, yet well-founded point of view. […] If all readers
of a study can recognize a phenomenon from the description presented, then generalizability is not a problem; the only issue of interest is the relevance of the explanation offered for that phenomenon.
(Alasuutari, 1995, p. 145)

Yin (1994) differentiates between two types of generalisation; ‘statistical’ and ‘analytical’. ‘Analytical’ generalisation would be more relevant to case study research, as cases should not be regarded or understood as ‘sampling units’ (unless one was to use the ‘multiple case survey’ employed by Larsson (1989, 1990), for example). Within ‘analytical’ generalisation, the results of a case study are compared to a previously developed theory. This could thus be termed ‘generalisation to theory’ or ‘theory replication’. This view of generalisation does not seem to take ‘theory building’ into account; developing a novel theory or developing an existing theory further, as is the purpose of this study.

The purpose of using a theory-building methodology is to build theory. Thus, we are talking more the language of explanatory power rather than that of generalizability. Explanatory power means “predictive ability”...
(Strauss and Corbin, 1998, p. 267)

The theory generated is explanatory of and can be applied ‘back’ to the population(s) it was derived from. (ibid.) Thus, it is context dependent. Again, there are two dimensions to generalisation; within one, results become generalised due to (a large number of) observations (Yin’s (1994) ‘statistical’ generalisation). Within the other dimension of generalisation, the identification of certain phenomena requires the comprehensive and in depth examination of the phenomenon in question. The discovered dynamics or mechanisms can then be suspected to exist in similar settings. (cf. Gummesson, 1991) The latter dimension of generali-
sation can be regarded as more suitable for the study of social phenomena, social situations, as they are always specific and ‘local’.

The theory becomes *local theory*; knowledge in a social context arises when one is able to deal with a specific situation. (Gummesson, 1991, p. 85)

As van Maanen (1979) points out, the goal of ‘qualitative methodologies’ (qualitative research) is the description, decoding, translation, understanding (‘coming to terms with’) the meaning of phenomena in the social world. The value of description lies in that describing a phenomenon is a way for us human beings to gain or increase understanding of the phenomenon and through that the world in general, in an inductive manner. Also, doubts can be raised about “a good deal of accepted wisdom”. (Mintzberg, 1979, p. 107) Generalisation from ‘individual’ phenomena presupposes a holistic perspective of ‘reality’, i.e. the interconnectedness of all aspects of life and the world (all ‘qualities’) should be recognised. Based on the holistic perspective of ‘reality’, knowledge is derived through the examination and understanding of specific aspects (‘qualities’, phenomenon). Generalisation is based on the holistic world view, in which all specific aspects have a qualitative relation to all other aspects. A specific aspect is formed by the whole as an aspect of ‘the whole’ and is thus a concrete, specific expression of its overall, universal ‘quality’. Thus the totality of ‘reality’ can only be grasped through the examination of its specific aspects, which are all representations of ‘the whole’. (Eneroth, 1984) This view also presupposes that knowledge is seen as a form of guidance. The need to commit to a specific standpoint in relation to ‘reality’ vanishes (Gummesson, 1991) and can, in fact, not be regarded as useful for gaining an understanding about the world or ‘reality’. According to Gustafsson (1994), ‘reality’ exists partially in the form of similarity and differences, where the differences have a more basic meaning than the similarities. Differences create con-
trast, and contrast is a prerequisite for observations. ‘Reality’ also seems to be a dynamic, continuous and ever changing process. The observable regularities inherent in this process, ‘underneath’ or alongside its evident chaos, combined with the contrast creating differences, seem to give meaning to the world around us. Just observing phenomenon without speculating about the consequences of or reactions to the observed would seem meaningless. (ibid.) Science becomes a road of discovery, ever evolving, and is not fenced in as a rigid, ‘eternal truth’ that would have the potential to prevent understanding through prejudice. If one is not out to seek the ‘eternal truth’ but the best possible understanding at the time, the need for generalisation (of the kind described as the first kind above) is reduced. (cf. Gummesson, 1991)

…one can at least learn something about the general and the collective by studying the particular and individual. The case studies of the business historian is the equivalent of the zoologist’s observation of one or several individuals, in order to understand what characterizes the species, its way of life and the way it interacts with the environment. The phenotype is a source of information on the genotype. One engine works can tell something about other engine works, about the fundamental features of the branch, and about the international, national or regional business environment that the factory is a part of and must adapt to. (Pedersen, 1997, p. 454)

Feyerabend (1999) points out that the mere quest for reality incorporates a simplification of the world. And even though this quest can create beneficial results, like the revelation of the principles behind phenomena, it simultaneously changes the phenomenon being studied, as it is being simplified either by means of abstraction or experiment. The result of this is then considered to be ‘real’. “Understanding a subject means transforming it.” (idem, p. 12)
It is our understanding that questions within the social sciences cannot be given straightforward answers in a more traditional, ‘scientific’ meaning. Only very abstract, general questions can possibly be answered if they are detached from their empirical, ‘local’ context.

(Hellgren and Löwstedt, 1997, p. 33, translation by the author)

Löwstedt’s (1986) study of the introduction of CAD automation and its impact on the organisation and contents of engineers’ work exemplifies the contribution of descriptive research. The comprehensive account of four different companies undergoing the change towards CAD engineering within different industries and the comparisons between the case companies (i.e. description of the similarities/differences) enable Löwstedt to draw conclusions about the organisational, structural and contents wise changes within engineers’ work. The study of the co-operative movement in Sweden between the years 1985-1995 by Kylebäck (1999) is also a notable example of the value of descriptive and explanatory research. His detailed illustration of the occurrences and both external and internal circumstances of the Swedish co-operative movement leads to an understanding of the transformation of the movement. Furthermore, understanding the movement’s ‘transformatory’ strengths and weaknesses increases the understanding of the dynamics behind such transformations as well as necessary future transformation. Carlsson and Nyblom (1999) also utilise the detailed description of the accounting of credit losses by three Swedish banks to gain understanding of the degree of freedom these banks had in handling their credit losses. Comparison between the three cases and examination of the legal and industrial environment of Swedish banks within the given time frame of the study give the researchers (ibid.) a sound base for both critical interpretation and comments on the subject of study. E. Wikström (2000) follows this research set-up as well; a description of two projects and the communication processes within the projects’ groups serves as a base for interpretation
through comparison of the two cases as well as theory on projects and communication.

In addition to giving an empirical view of increasing the understanding of the world we live in through describing, explaining and predicting phenomena, science can seek to improve the social well-being of individuals or groups by useful means for doing so. In that sense the pragmatic nature of this study from its outset should not be overlooked, as it has had a strong impact on its course and nature. Due to the pragmatic approach taken in this study, the overall theoretical perspective also holds teleological elements. The data that have been significant in this study are related to the ‘survival’ of the phenomenon studied in both a problem solving and problem creating perspective. (cf. Eneroth, 1984, Gummesson, 1991) The empirical data are the primary basis of this study. Following Gustafsson (1994), this study would partially fit the genre of ‘consultancy research’; practically generalising research based on case stories from praxis, also called ‘tales from the field’. Due to the pragmatic approach chosen in this study, it could be assigned to the functionalist paradigm of acquisition research. (cf. Kleppestø, 1993, Morgan, 1990, Risberg, 1999) It should be pointed out, however, that this study is not based on the belief that every aspect of a post-merger integration process can be controlled (with the appropriate tool). Instead, the underlying belief is that the process can be eased and made more satisfactory than what seems to be the case in many mergers, mainly through understanding the fundamental nature of this kind of organisational occurrence. This view, again, holds elements of the interpretive paradigm.

SYMBIOSIS

When viewed from a ‘symbiotic perspective’, this study carries ingredients from the functionalist, the interpretive and the radical humanist paradigms that, among others, appear within
organisation studies. (Morgan, 1990) The assumptions their respective world views are based on, are often taken for granted. (Morgan, 1980) Due to the pragmatic nature of this study, the generation of useful perspectives, models etc. in the pursuit of improving organisational life becomes attractive. Improving organisational life involves the notion of making it more effective and efficient in order to generate (more) profit. Whether or not the current dominant functionalistic definitions of effectiveness and efficiency prove to be sufficient and applicable in the long run, however, remains to be seen.

Within the functionalist paradigm of research, the ‘mirroring’ function and generation of problem solving means can emerge as useful. ‘Mirroring’ enables organisations and organisational members to see and assess themselves through the ‘detour’ via research, before moving on to the possible implementation of problem solving means. Usefulness in this sense becomes a very attractive characteristic of knowledge and is in accordance with the pragmatic approach of this study.

The interpretive paradigm of research, on the other hand, is valuable in its focus on change. The social world is a socially constructed network of symbolic relationships, never static but always ‘in movement’. For an organisation, this includes not only life ‘within it’, but also its environment. In this paradigm, understanding this network and its existence constitutes the purpose of research. This corresponds with the descriptive nature of this study; understanding the world through describing aspects of it. This is the case especially when the purpose of description is to gain insights through discovering new ways of perception of a phenomenon (situation, occurrence, person, etc.). The gaining of insights can be viewed as having an objective: foremost the expression and development of our nature as human beings. Within the radical humanist paradigm this is one of the main interests of research. The realisation of this objective is sought through understanding how we as human beings construct our world, so that
we can control our own constructs. In an organisational setting, this could be a reciprocal action in which the development of an individual could be furthered through the organisation s/he ‘takes part’ in; the organisation could in turn evolve from the developing individual.

Within research coloured by radical humanism, numerous organisational occurrences should be recognised as manifestations of deep psychic processes. These processes are complex and difficult to understand, and insights into the mere existence of these processes can further the understanding that they are powerful forces influencing organisational life, also from an effectiveness standpoint. (cf. Morgan, 1980 and 1990) This awareness can be beneficial to the examination of such a complex organisational change process and a merger and its post-merger integration.

The symbiosis between the results oriented focus of the functionalist perspective combined with the world-view of an interpretative approach could be beneficial; through understanding the world as socially constructed by individuals, it should nevertheless be possible to improve some circumstances and experiences. A symbiosis of these perspectives seems possible, because according to Morgan (1980), the different approaches share ‘common fundamental assumptions about the nature of the reality they address’. (idem, p. 608) The benefits of a symbiosis between different paradigmatic perspectives could also work against ‘digging the same hole deeper’, i.e. applying and repeating an established way of thinking and related method in what could be termed ‘slumbering duplication’, (Gummesson, 1991) and enhance the development of the social sciences, for example. Also, the risk of the emergence of dogmatic and counter-productive points of views could be diminished. (Hellgren and Löwstedt, 1997)

…the acquisition of new ways of thinking depends upon a departure from the old world view.
(Morgan, 1980, p. 605)
Descriptive and explorative research could be considered to benefit from ‘fresh views’, consequently, the symbiosis of these approaches was considered beneficial to this study. Now it is time to describe and discuss the method employed in this study.

RESEARCH STRATEGY

…I am neither a priori for nor against any methods. If they are not suitable, it is hardly scientific to provide one sided support for one or another method… (Gummesson, 1991, p. 3)

I FULLY AGREE with Gummesson on this point. In the previous section the overall aim of this study as well as its underlying theoretical point of departure, i.e. research paradigm, have been accounted for. Now follows the description of the method employed in this study to examine the problem areas of the two examined mergers, their possible causes and explanations as well as the process of analysis employed. The method chosen influences (the interpretation of) a study. The awareness of and report on the strengths and weaknesses of a method used in a particular study facilitates reflection on the suitability of the method chosen as well as the evaluation of the findings presented in the study.

The method chosen to tackle the research problem described above is through a case study. This is one of the most traditional methods within qualitative research. (cf. Norén, 1998) One case company and two of its mergers were chosen. This method was considered to be suitable in order to study the experiences of people within a change process like a merger. It provides a detailed view of (in the end) one organisation and the people within it. Gummesson (1991) points out, that case studies are well suited for the study of processes in organisations and permit a holistic view of a process. The examination and understanding of
the dynamics within a single setting, as well as descriptive, exploratory, explanatory and theory building research is argued to be a suitable application of the case study. (Eisenhardt, 1989, Merriam, 1994, Yin, 1994) Additionally, a specific case can be viewed as a concrete expression of an overall phenomenon. (Eneroth, 1984) Thus the case study method complies with the overall nature of this study; studying current phenomena within their environment, (cf. Yin, 1994) i.e. post-merger integration within a particular organisation.

Larsson (1989) argues that the case study method is more suitable than a questionnaire survey to gain the trust and involvement of the research ‘object(s)’. It can often pose difficulties to gaining access when studying social settings (like organisations) in general, (see e.g. Bryman, 1989, Punch, 1998) which can partly depend on the method deployed. (Gummesson, 1991) When studying mergers and pre and post-merger activities, gaining access can be particularly intricate, because of the privacy, secrecy and delicate nature of the information that is sought out. (Cartwright and Cooper, 1993b and 1990, Larsson, ibid.) Case studies can be viewed as what Evered and Reis Louis (1981) call ‘inquiry from the inside’, characterised by the intention to understand (the studied subject) as well as the absence of analytical categories from the outset of a study. The degree of involvement, i.e. ‘how inside’ the researcher is, can naturally vary. However, the closeness to the subject as well as the lack of well-defined preconceptions might be one of the characteristics of the case study that kindle the trust of the subject(s) to be studied. The more intimate and detailed nature of a case study method was thus considered advantageous for this study.

…case studies may sometimes be more attractive to practising managers, since their closeness to detail and familiarity with ongoing organisations can be more meaningful to them than the prooccupation with often abstract variables that characterizes much quantitative research. (Bryman, 1989, p. 178)
Qualitative methods within the social sciences *per se* are argued to comprise closeness between the researcher and her or his material. (Gustafsson, 1994) Additionally, a case study approach is argued to be specifically applicable when the phenomenon to be studied is largely unknown, when existing theory seems inadequate or when a new, fresh perspective is needed within existing research. Also it is supposed to suit the study of long term change processes. Other strengths of the case study method include the opportunity to contrast conflicting realities, which can diminish ‘researcher bias’, as thinking can be widened from earlier preconceptions. In addition, the results of a case study are likely to be empirically valid. (Eisenhardt, 1989) These strengths of the case study method suit the initial pragmatic approach of this study. Overall, the case study approach with its differing ‘sub types’ seems to be popular among researchers for studying mergers and post-merger integration and different aspects of them. (e.g. Lohrum, 1996, Meyer, 1996, Risberg, 1999, Santala, 1996, Vaara, 1999)

A case study is considered to have several characteristics: rich, detailed and ‘multi aspect’. (Larsson, 1989 p. 44) The richness or thickness of description within case studies is advocated, because it provides for one of the strengths of case studies promoted by Dyer and Wilkins (1990): providing a story against which other researchers can compare their own results and thus gain theoretical insights. Additionally, rich descriptions of case studies can provide an ‘aha’ experience of understanding by unveiling the dynamics of the described phenomena. Also, they can provide opportunities for identification with the phenomenon or specific features of it, (idem) which could enhance understanding and the generation of an ‘aha’ experience.

A case study approach is also seen as suitable for theory testing (Eisenhardt, ibid.) and detailed descriptions of case studies can be utilised for the fine tuning and modification of hypotheses (Jordan, 1995), but this has not been an objective of this study. As the initial aim was to examine the problem areas of post-merger
integration and their possible causes, leaving space within this frame for discoveries, the accounts of organisational members around issues related to the merger they were experiencing were examined and analysed.

Comparability and single versus multiple case studies need to be considered when discussing the case study method. Dyer and Wilkins (1991) and Eisenhardt (1991) debate the sufficiency of single case studies. Dyer and Wilkins consider multiple case studies to suffer from a deficiency regarding context and deep structure in exchange for the creation of constructs usable in a more traditional theory testing manner. (cf. also Pentland, 1999) The debate includes the question of whether single case studies really are single case studies. The importance of this point lies in the fact that this dissection provides for the necessary comparability between ‘cases’, which is argued to be a prerequisite for deriving any kind of results within this research method. (Eisenhardt, 1989, 1991, Dyer and Wilkins, 1991) The comparison, however, is made within one organisational context, thus providing an understanding of one setting and its details. According to Dyer and Wilkins (idem.) this allows for the emergence of underlying dynamics and less obvious features of the ‘object’ studied.

In this work the case study is a single or multiple case study, depending on the terms of classification used. As mentioned above, this case study consists of one case company operating in one specific industry. As a ‘case’ can comprise an entire organisation or departments or sections within an organisation or even within inter organisational networks, (Bryman, 1989) the different mergers and their affected units can likewise be considered their own separated cases with their own context and history. This study could thus be argued to consist of some 8 cases. Nevertheless, whether or not comparability is necessary in a case study could as such be argumentative. In a study like the one presented here, comparability seems of lesser significance, as the purpose of this study is to enrich the understanding of the phenomenon studied,
the human side of mergers and post-merger integration. In this sense this study should not be viewed as comparative, but rather as complementary: an enrichment of the understanding of a phenomenon. Enrichment ventures into the depth of a phenomenon. Following this line of thinking, Mintzberg’s (1979) question on what would be wrong with samples of one seems adequate. One has to adjust the case quantity, sample and comparability question to what is being studied. (cf. idem)

As to the sufficiency of case studies, they have suffered from a perceived lack of generalisability. The concept of generalisation was, however, already discussed above in broader terms (not particularly narrowed down to case studies per se). The previous discussion is valid in the context of the case study as well; statistical generalisation is not of interest, as it seems to lie in a positivistic and statistical perspective in which a case is seen as a sample of one. This is not in compliance with the general nature of case studies, which foremost should provoke insight of theoretical importance in the form of discovering patterns and linkages. (Bryman, 1989) Thus generalisation is interesting only in its context dependency, in being applicable to the studied (or similar) population(s).

The gathering of data in this study has not been confined to narrow areas of research. Instead, all data that have seemed relevant to the broad overall aim of this study – the mapping and examination of problem areas related to the studied mergers and their respective post-merger integration processes – have been gathered. Vulnerability to ‘chance’ and subjectivity are disadvantages of this kind of a method. On the advantageous side of this kind of a method lies the potential to make discoveries. (cf. Bryman, 1992) The potential to make discoveries again would be limited (or enhanced, perhaps?) by the pre-conceptions of the researcher. Social and cultural heritage and possible theoretical choices influence a researcher’s pre conceptions or pre understanding, from which a researcher is assumed never to be completely free. (see e.g. Blomberg, 1995, Gummesson, 1991, Strauss and Corbin, 1998)
The consequences of a researcher’s pre conceptions are that data gathering can be directed towards areas and themes corresponding to her or his frame of reference. The dialogue between Eisenhardt (1991) and Dyer and Wilkins (1991) on the strengths and weaknesses of a rigorous or ‘free’ methodology highlights the pros and cons of both approaches in a case study setting. The advantages of research according to a methodologically sound research plan versus research utilising some kind of tabula rasa approach are discussed. One side is accused of not being open to new, unexpected aspects that might emerge. The other side, again, is subjected to the accusation that only telling a story is not enough and has never led to grand contributions to theory. Nevertheless, Eisenhardt (1989) does point out that being theoretically too ‘constrained’ from the beginning would act as a counter to chance. She continues with considering that serendipity could be an important feature of discovery. In light of the results of research that is aimed at building theory, ‘accidental’ findings could thus be advantageous. (ibid.) Restrictive research methods are also criticised for inhibiting the exploration of social settings, which are evidently complex by nature. (Punch, 1998)

The dilemmas for those working within the qualitative tradition are very clear. The elaboration and application of theory prior to, or even at a relatively early stage of, a qualitative study may prejudice the researcher’s ability to see through the eyes of his or her subjects. Theory may constrain researchers excessively and blind them not only to the views of participants but also to the unusual and unanticipated facets of a strand of social reality. (Bryman, 1992, p. 87)

For this study, the ability to make possible discoveries has been paramount from its outset. This is why its research problem has been wide from the start (problem areas on the human side of mergers and post-merger integration) and its research questions are general and have evolved over time. The purpose of this study
is not to solely provide a different way of studying mergers, but also to contribute to the understanding of mergers in terms of possibly enhancing the management of them. In comparison, for example, Risberg’s (1999) main purpose of studying acquisitions through the concept of ambiguity was

…to provide an alternative to traditional acquisition research, a different and new understanding of acquisitions and the post-acquisition process. (idem, p. 215)

Due to the focus on a new framework for research, she has to emphasise theoretical and methodological issues in her work. The purpose of this study is not to provide a new framework for research; instead, the mergers studied are explored through the chosen research strategy and framework. This means that the focus is on the cases and the analysis of them in this study. In light of this study’s method, purpose and its focus on empirical data, it can be considered representative of ‘grounded theory’ as introduced by Glaser in Strauss in 1967: discovery of theory from data obtained from social research through its careful analysis. ‘Grounded theory’ is viewed as an overall objective of research, which can be obtained through the use of various research strategies and methods. The underlying understanding of a theory is that it is an ever developing entity, i.e. a process, not a perfected product of research. (Glaser and Strauss, 1967)

According to the paradigmatic point of departure adopted in this study, science creates ideas that are dependent on the context in which they are produced. Therefore, they are relative to a particular frame of reference. In order to present the ideas of this study, it is therefore vital to present the employed frame of reference. Only within its context will ideas be of value. An account of the frame of reference of this study shall be provided in the next section of this chapter.
FRAME OF REFERENCE

In this study, a number of terms and concepts are used. A clear definition of how these concepts or terms are employed is important in order to ‘set the stage’ for what will follow later. Approximating terminology constructions seems to be a very human trait we keep occupying ourselves with. Behind constructions, i.e. terms or names, there do not seem to lie any exact, demarcating entity. Thus the definition of different terms could be seen as verbal constructions creating meaning. Without this kind of ‘naming’, the world would not be intellectually comprehensible or ‘discussable’. (Gustafsson, 1994) As organisational phenomena, mergers and post-merger integration, are examined in this study, the terms organisation, merger and post-merger integration and their use need to be clarified. Further, the ‘human side’ of mergers is the focus of attention, so what this concept comprises will have to be defined. As the explicit focus in this study came to be the concept of ‘expectation’, the use of this term in this study will need to be explained as well.

ORGANISATION

In this study, an organisation that is of the profit generating kind, characterised, among other things, by having owners, customers, employees, managers etc., has been the contextual object examined. An organisation is viewed as consisting of people, as being created by people and as being created for people. Thus people are at the centre of the perception of and the interest in the organisation as a phenomenon as well as the concept of ‘organising’. (cf. e.g. Risberg, 1999)

Smircich (1985) points out that the study of any kind of organisational life always carries the process of organi-sing conducted by people as its focus. This makes the study of organisa-
tions the study of ‘organisation making’ as the researcher interprets, decodes and deconstructs systems of meaning for an organisation. The question underlying this quest is ‘what is going on?’ or ‘what is happening here?’ (idem) ‘Organising’ is something that is done by all organisational members continuously, not only leaders or experts in organising or organisation. Even if terms like planning, managing or arranging are used, some form of organising is always occurring in an individual’s life. (cf. Löwstedt, 1995b) The organisation can be viewed as a social construction in terms of its ‘origin’ (as an on going process of ‘successive adaptation’), but also in terms of being a consequence of people’s conceptions or ideas of the organisation. (cf. Löwstedt, 1995a)

According to Sjöstrand, (1998) a reason for human organising descends from the perceived achievement of ‘collective benefits’ for individuals. Another could be found in the area of seeing the human being as a social creature, who finds value and meaning in the mere social contact with other human beings, (idem) as insecurity and uncertainty are argued to be the main driving forces behind the need for social interaction. Fundamentally, this value could be created through the experienced creation of security. (cf. Berger and Luckman, 1995) In this sense, Sjöstrand (1998) defines an organisation as an ‘artificial arena that is dynamically defined by people’s continuous and innumerable interactions.’ (idem, p. 35, transl.) The organisation as such is a consequence of interactions between people and the shared perception of the experienced course of interactions; a ‘descriptive sediment’ that can manifest itself in many ways. (ibid.)

As Gustafsson (1994) points out, however, the study of organisations and business is highly focused on the individual, constituting the object of study. Also the organisation or company can thus be individualised, as an individual decision making unit. The unit can be the leader of the organisation, but also the organisation as a whole can form a unit in this sense. (idem.) Is a company or a sub unit of a company at any one point in this study
mentioned as an actor in its own right, it should be viewed in this light. The strongly engraved view of organisations as being made up of people mentioned above should excuse the perception of an organisation being an ‘actor’ in its own right.

MERGER

The terms *merger* and the related organisational changes called *takeover* and *acquisition* can pose problems in an organisational change because, shortly put, they are ascribed different contents and organisational behaviour. (Frommer, 1998a) This evidently necessitates defining the core terminology used in this (or any other) context in order to clarify communication and meaning.

Within theory on the subject of *mergers* in general, the subject is mostly referred to as ‘mergers and acquisitions’ and oftentimes replaced by the acronym ‘M&A’. In this study, the term merger is used instead of ‘mergers and acquisitions’. This has two reasons. For one, it is shorter. Secondly, the organisational changes that have been studied empirically were called mergers, so it seems natural to stick to that term.

In this study, the term merger is employed in its meaning of being the combination of two organisations so that only one company survives as a legal entity. Basically a merger can be seen as an exchange of existing assets in that one company pays for the assets of another. (Golbe and White, 1988) What distinguishes the merger from an acquisition or a takeover is the fact that the deal is done on a basis that is mutually agreed by the organisations’ respective management and approved by their shareholders. Thus the term merger stands for the varying ways of combining two or more organisations, given the contractual feature mentioned above. Also, Burke’s (1987) perception of a merger and the following post-merger integration as a process rather than an event is employed. Gertsen et al. (1998) argue that mergers are co opera-
tive agreements between equal partners, whether accomplished by the transfer of assets to one surviving company or by joining two companies to form one new one. Thus, a merger is considered to differ from an acquisition in terms of the nature of the ‘legal transaction’ undertaken. Gertsen et al. (idem) find this distinction significant enough to state that a merger is not quite identical to an acquisition. One should bear in mind that the distinction is of a purely contractual or legal nature and does not diminish the fact that also in mergers, companies or parts of companies are being bought and sold.

The problems the term merger as opposed to acquisition or takeover or even joint venture can pose in this sort of an organisational change will be discussed below in the analysis of the cases presented in this study.

MERGER SUCCESS

Success and failure are almost unavoidable themes in the context of mergers and acquisitions. (Vaara, 1995, p. 7)

The success and failure of a merger seem to be such ‘unavoidable’ issues in conjunction with mergers because the impact of a merger is evidently substantial. (cf. Vaara, 1995) The justification of a merger seems necessary in terms of its success or failure, in order to ‘justify’ its financial and other costs. Another reason for the ‘unavoidability’ of this topic is that merger success seems to be an ambiguous issue; mergers often seem to be perceived as failed and generally seem to be experienced as troublesome and difficult. On the other hand, they are continuously sought after and implemented. (cf. Cartwright, 1998) Further complicating the issue is, as Napier (1989) states, that there are no ‘set rules’ pinning down merger success.

As Bild (1998) for example points out, internal follow up of mergers characterised by a higher degree of integration is
complicated by the increasingly indistinguishable cash flows. In addition, mergers are interwoven with external occurrences and circumstances, which complicates the separation of merger related characteristics from non-merger related factors the organisation encounters. Salter and Weinhold (1988) point out that there seems to be more evidence of the short term effects of acquisitions than of their long term benefits. Short term observation of merging companies’ stock prices alone may, as Nahavandi (1987) points out, not have many stakeholders in the involved companies gaining much from a merger except possibly short term investors playing the market. Also Trautwein (1990) argues for a shift from pure stock market measures towards measuring the actual performance of companies in order to gain a more complete picture of the motives and justifications for mergers. Decision making and strategic context would thus be included in an analysis, e.g. a merger’s contribution to a company’s overall strategy. Additionally, mergers should be evaluated not only in terms of monetary value, but also in terms of non economic value, such as job security, career aspects or organisational affiliation. (Haspeslagh and Jemison, 1987)

The consequences of mergers and their evaluation seem to depend on the ‘stakeholder perspective’ to some extent. (cf. Sundarsanam, 1995) Perspective seems to be the key in the overall assessment of success or failure of any endeavour; Gustafsson (2001) highlights this with the example of the Sydney Opera House. If one takes a ‘project management perspective’ and focuses on the project budget as it stood at the very beginning of the Opera House’s construction, this endeavour can most definitely be viewed as having failed. The cost of this construction project exceeded its initial budget considerably. On the other hand, if one is to take the perspective of furthering tourism and the fame of Sydney (and Australia), i.e. an ‘Australia promotion’ perspective, then the whole endeavour can be considered a success, as there are not many (modern) buildings in the world that have reached the
level of fame the Sydney Opera House has. The whole discussion around success and failure is thus, according to Gustafsson (idem), an ‘intentionalistic discussion’. The question of success or failure has to be viewed in relation to a taken for granted intention (or several, serial intentions). Only if one has had a specific intention to start with, can one succeed or fail. And the notion of success or failure is only assessable in relation to this intention. (idem) Regarding the success or failure of mergers, the underlying, initial intention behind the merger has thus to be taken into account. What complicates the situation in mergers is that the intentions behind mergers evidently are complex and depend on the viewpoint taken. This is why the ‘stakeholder perspective’ seems crucial in this matter. For example, Vaara (1995) points out that success and failure are individual, subjective experiences.

In this study, the concept of merger success is referred to as exactly that; an individual, subjective concept depending on point of view and understanding and comprises a merger in its ‘larger sense’, i.e. including post-merger integration. However, the concept of merger success or failure seems to carry ‘collective’ features, evidently not only among practitioners, who at least in the interviews conducted for this study talked about merger success without further defining it, unless asked. Also within merger related research, the term is frequently not given a detailed definition. The collective dimension to merger success and merger failure seems to lie in two main distinctions or ideas on what it is about;

1. ‘as a business measure supposed to generate benefits’ (synergy, profitability)
2. ‘as a business measure supposed to look in a certain way’ (integration, behaviour)

These two distinctions within merger success and failure seem to be present whenever these merger evaluation related features are at focus.
POST-MERGER INTEGRATION

A merger can be divided into different phases following a chronological approach. Most commonly mergers seem to be divided into the pre combination, combination and post combination phases (Mirvis and Marks, 1992, Marks and Mirvis, 1998) or the pre merger, merger and post-merger phases. The latter is also referred to as post-merger integration. The first phase is generally argued to consist of formulating corporate strategies, acquisition policies and guidelines, i.e. the overall positioning of the company in terms of mergers and acquisitions. The second phase consists of planning for a merger, the identification of a candidate or candidates, the evaluation of the target, the negotiations and the conclusion on the final merger agreement. The post-merger phase consists of the realisation of the merger objectives and the achievement of the potential identified benefits, i.e. synergy. (Lindgren, 1981) A more detailed division can be found in Gertsen et al.’s (1998) study. They divide a merger into the planning phase, the identification phase, the appraisal/evaluation phase, the negotiation phase and the integration phase. (idem) These chronological divisions of a merger into phases described above are characterised by a ‘top management view’. Were a merger to be divided into phases according to the experiences and needs of people on lower levels in an organisation, the phases could look different and bear different names. A description of the different phases was given here as they are found in merger theory. This seemed necessary in terms of illustrating where the term post-merger integration employed in this study originates.

The phases discussed above are neither independent of each other nor always clearly distinguishable. Sometimes, for example, the identification of a candidate could be considered to belong to the pre-merger phase, not the merger phase. The planning done in the acquisition or merger phase has substantial influence on how the post-merger phase will be handled and how
successful it will be. The biggest challenge for a merged company lies, however, in the post-merger phase, i.e. in post-merger integration, because this is the time when all units have to be pointed in the same direction. Sundarsanam (1995) divides post-merger integration into two stages as well, in which the acquired company is assessed first at a preparatory stage (a kind of ‘organisational due diligence’), followed by the second stage, in which the actual capability transfer takes place. Santala (1996) divides the post-merger integration phase into three distinctive phases for his analysis of the integration of strategic management: the pre action, action and reaction phases. This serves as a systematisation of the process, but also these phases overlap and lack clear boundaries. In addition, they are dependent on each other and influence each other through what Santala (idem) calls ‘feedback loops’. This sort of stage distinction would serve the conceptualising of post-merger integration into separate, more comprehensible parts. The type of phase distinction seems to depend on the focus of the respective investigation. Again, it should be pointed out that a clear chronological distinction cannot be made. The stages or phases are interrelated and interdependent and should be regarded as tools of conceptualisation, making a process like post-merger integration easier to analyse and possibly understand.

A merger can also be divided into different types, mainly distinguishable by the merger motives behind the merger. One type would be Payne’s (1987) investment merger, others Shrivastava’s (1986) combination of accounting systems, i.e. creation of a single legal unit and Napier’s (1989) extension merger. This type of merger is characterised by the acquiring company’s independence after the merger, i.e. integration only in legal and possibly some financial terms. A second type of merger is what Payne (1987) calls a strategic merger. Strategic mergers involve evaluation and planning to attain synergy effects. (idem) According to Trautwein (1990) some degree of integration is mandatory if the desired synergies of a merger run beyond capital costs savings or
exchanging managers. Within the broader category of strategic mergers Shrivastava (1986) has identified two different sub types; the type of merger where physical assets, product lines, production systems and technologies are integrated and the type of merger characterised by ‘socio cultural’ integration, i.e. merging managerial viewpoints and culture in general. (ibid.) This kind of integration would be analogous with the type of integration studied by Meyer (1996): integration of tasks, unification of power and integration of cultures and identities. Napier (1989), again, divides the strategic type of mergers into collaboration and redesign mergers. Whereas Shrivastava’s (idem) division is based on integration degree originating in the merger motives, ‘socio cultural’ integration demanding the highest degree of integration, Napier’s (idem) further division is based on both the degree and the type of integration derived from the merger motives. Thus her collaborative merger is a merger where both merging companies are to gain from the merger, either through synergy or through exchange. Her redesign merger is more one sided and involves the adoption of one company’s procedures and policies by the other company.

Thus, if managers determine what type of merger to pursue, this may help them plan for and implement human resource changes following an acquisition. (Napier, 1989, p. 277)

The case mergers used in this study are both characterised by extensive or ‘socio cultural’ integration, because the objective of both mergers was growth and the acquired companies were expected to provide new resources, product extensions and managerial expertise. The type of merger that is of particular interest and thus the focus of attention in this study is the kind where economic value and synergy is to be realised. As mentioned above, these types of mergers are characterised by a high degree of integration, involving the people of the affected units in the attempt to become one company.
Leadership of a combination extends beyond the structural integration of companies to the joining of people.
(Mirvis and Marks, 1992, p. 119)

THE ‘HUMAN SIDE’ OF MERGERS

“Hello Girls!
Here at our company it is quite turbulent right now! I don’t know if you have heard the news that [COMPANY X] acquired [COMPANY Y] last week!!! …there you would have something to study, Ranja!

We were looking for a house or apartment, were stressing with it and using approximately every 3rd weekend for being in Stockholm and go house hunting, that seems to have been in vain! I even worked like a maniac to organise a fair in Dusseldorf. (400.000 visitors!!!) The fair went well, everything worked, but on the last day the announcement of the acquisition came and then we were there with [COMPANY X] just 30 meters from our exhibition stand. Also a little ironic that it happened during the fair.

This means that the newly renovated hypermodern and beautiful office we have in Stockholm could be emptied, the new team could be splintered and the atmosphere can be described as disappointment. We had ‘increased steam’ and felt enthusiasm towards founding a new division and work hard for it. Now we are acquired and [COMPANY X] can do what they want with us. There are 80 people at the headquarters and more or less all positions are threatened. I am afraid that they will take our production facilities and the wholesale dealers they will need and the rest they will not care a bit about. The management and administration are in the worst spot, I am one of them.

Personally I am not worried about my future. I know that I will find something else that I will like, but now we were so focused on this. Now I don’t even know where we as a family will live. A move to Finland does become more attractive again…
[...] For some intermediate landing I don’t want [DAUGHTER] to be moved from her secure life!” (Transl.)

The above extract is from an e-mail I received from a friend of mine during the spring months of the year 2000. It is an example of the numerous stories of the kind of an impact a corporate acquisition can have on an individual’s life, i.e. the 'massive dislocation of the professional and private lives of managers and other staff'. (Sundarsanam, 1995, p. 238)

A company is argued to mainly buy the people in many mergers. (Morse et al., 1987) Human resources are pointed out with increasing intensity as the most critical and valuable asset of many a company these days. This would evidently be the case for knowledge-intensive businesses in particular. (cf. Sveiby, 1995) Marks and Mirvis (1998) state that because the value of many companies lies to an increasing degree in their intellectual capital, these human assets are crucial to its success. This seems to be the case in mergers as well.

People are the critical resource that can make or break a merger…
(Gall, 1991, p. 26)

Once the merger has been consummated, there remains the problem of the post combination of employees.
(Cooke, 1986, p. 210)

One vital issue when integrating any acquisition, then, is how to speed the process of getting dozens, hundreds, or thousands of people to work together…
(Ashkenas et al., 1998, p. 175)

As Mirvis and Marks (1992) point out, mergers involve people, and these people are on all company levels. Senior managers can be equally affected by the stressful event called a merger, as people
on ‘lower’ levels of an organisation. (idem) Risberg (1999) emphasises that in order to understand the organisational consequences of mergers and post-merger integration processes, the experiences of individuals should be examined and understood. This is so, because it is the people who make the process. (idem)

In addition to a financial event, mergers are primarily the coming together of two organisations on a human and cultural level. A merger or an acquisition forces the employees and managers of two previously separate and independent organisations to interact and work together to varying degrees.
(Nahavandi and Malekzadeh, 1993, p. 293)

Roughly it could be said that the ‘human side’ of mergers, as it is called for lack of a better expression (cf. e.g. Morse, 1987, Risberg, 1999) although also called the ‘human aspect’ (Gertsen et al., 1998, Cartwright and Cooper, 1993b), ‘human factor’ (Cartwright, 1998, Sundarsanam, 1995) or ‘human element’ (Morse et al., 1987), comprises everything that goes beyond a strictly financial and strategic analysis of mergers in this study. Thus it includes behavioural, cultural, social, psychological etc. aspects, i.e. the kind that involve human beings, their organising and ‘organisational survival’. Often, this side of organisational life is called ‘soft’. The definition of the human side of mergers employed in this study is, admittedly, very broad and all encompassing and could be interpreted as not serving research purposes sufficiently. However, the human side of mergers is not to be regarded as a theoretical framework or other research device in this study. Rather, it could be regarded as the ‘stage’ on which this study is set, comprising all possible sets, costumes, actors as well as all possible plays and scenes. The view taken in examining mergers and post-merger integration – whether psychological, cultural, ‘social constructionist’ or some other point of departure – depends on the individual researcher and her or his preferences. This study is limited to the examination of expectations and their role in post-merger integra-
tion only after the broader analysis of ‘problem areas’ within the case mergers and their post-merger integration that were ‘located’ within the human side of mergers. From the outset of this study, the broad definition of the human side of mergers was necessary in the absence of a pre understanding of what in particular was to be found. In addition, an ‘open mind’ necessary in explorative research seemed to be required. Had the definition of the human side been limited to exclude a number of dimensions from the above definition, ‘openness’ could have suffered and justice could possibly not have been paid to the chosen research strategy.

The above discussion is of course highly academic, but also for the more practically oriented reader the definition human side of mergers cannot easily be narrowed down to encompass just a few clearly definable aspects. Morse et al. (1987), for example state, that the main concerns of the human side of mergers should be retaining people, getting them into the right jobs, the right spirit and the right and same direction. Additionally, on the dark side of this, the restructuring possibly necessitated by a merger should be dealt with as efficiently and dignified as possible. (idem) ‘Getting people into the right frames of mind’, evidently involves behavioural, cultural, psychological etc. aspects of organisational life.

EXPECTATION

‘Expectations’ play a significant role in the findings of this study. Therefore, this concept needs to be defined. The term expectation is used in its meaning of

✓ to expect something,
✓ to look forward to something,
✓ to regard something as likely to happen,
✓ to anticipate the occurrence or the coming of something.
Thus it is a human trait or characteristic, a way of anticipating that a specific occurrence will take place or a specific phenomenon will occur or turn out the way it is or was expected.

The term expectation is not used to include financial expectations, other than those the respondents of this study might have had with regard to the studied mergers and their outcomes. Nevertheless, these kinds of expectations, as they tend to be diffuse and general (“this merger is too expensive, we paid too much, it is not successful because we are not making any money or more money than before, instead, we are losing money”), also fall right back into the category of individual’s expectations that are at focus in this study.

LIMITATIONS

There are some limitations to this study that need to be discussed. These are the focus of this study in terms of organisational and/or individual level and top management perspective. Also the concept of culture and why this study was limited so as not to include aspects of culture to a significant degree will be discussed here, because the study of culture and ‘cultural clashes’, for example, hold a significant seat within research into mergers and post-merger integration.

ORGANISATIONAL VS. INDIVIDUAL LEVEL

This study involves both an organisation and individuals in the organisation. Organisational research generally displays a certain keenness for the question whether one studies organisations at the organisational or the individual levels. Finding a clear cut border between the two is the first challenge in this arena, espe-
cially as one can insert the ‘group level’ in between the two, comprising sub-organisational groups. As Risberg (1999) points out, one has to bear in mind that what is often termed ‘organisational level’ nevertheless consists of individual’s accounts.

Even though the distinction between the individual and organisational levels tends to be rigorous (or at least there is a wish for the application of a rigorous distinction between the two) within organisation theory, the individual and the collective sometimes seem to be joined. Löwstedt (1995b), for example, speaks of individual and collective actions regarding ‘organising’. Blomberg (1995), again, mentions ‘normative structures’, which are different from individual thought structures and thus shared or collective norms. Also Löwstedt (1995a) points out that thought structures can be collective.

The step from the individual to the collective can be described as ‘what is shared’ by several individuals. (cf. Hellgren and Löwstedt, 1997) The collective experience can, however, include multiplicity, not only ‘sharedness’. (Risberg, 1999) Within the creation of meaning in organisations the relation between the individual and the collective is also part. Shared conceptions among people (‘cognitive structures’), for example within an organisation, are created through the influences of actions and conversation, i.e. social interaction. (Hellgren and Löwstedt, 1997)

This study is not an account of the in depth psychological processes related to individual psychological profiles of the interviewees, so in that sense it is not a study at the individual level. The purpose of this study is to contribute to the understanding of organisations. In this study the different interviewee statements are interpreted and explained through the concept of the experiences and perceptions of post-merger integration. It is thus an analysis of collective phenomena, mergers and the integration process following them, arrived at through individual accounts. Data, i.e. mainly the statements of interviewees, are categorised and analysed in terms of what could be termed a ‘collective perception
and experience’ to a larger extent than, for example, in Risberg’s (1999) study. In her work, Risberg shows that through understanding individual experiences (and the inherent differences of individual experiences) of mergers and post-merger processes, the overall understanding of the organisational consequences of mergers can be enhanced. She embarks on a journey of describing and interpreting the discrepancy in understanding an acquisition process between individuals through the concept of ambiguity (she uses the concept of ambiguity as her ‘lens’ for analysing acquisitions). She thus captures the multiple individual experiences of acquisition processes on a group and even organisational level.

Employee interpretations of M&A can be viewed as bridging the individual and collective levels in that they are subjectively attached meanings to phenomena and they are more or less inter-subjectively shared among the collective of employees.

(Larsson, 1989, p. 24)

Considering the overall purpose of this study – examining and analysing problem areas on the human side of mergers and post-merger integration as well as investigating the role of expectations in this context – we are dealing with a collective phenomenon (post-merger integration) to be experienced and carried out by a group of people. The respondents’ individual experiences and expectations play the leading role here, but they become even more significant if they are shared. This lifts them to a group level. Individual expectations influence the respective person’s (also ‘inner’) life. From an organisational standpoint, as for post-merger integration, for example, they become interesting when they start ‘playing a part’ in the social interaction of this individual.

In this study, divergences between individual interpretations were not so much concentrated upon as divergences between collective perceptions, as for the different units enmeshed in the case mergers. Comparisons between individuals and positional influences, for example, are left for further research into the role
of expectations in mergers, post-merger integration and organisations in general.

THE TOP-MANAGEMENT PERSPECTIVE

Research into mergers and acquisitions is sometimes criticised for being confined to the ‘top-management perspective’, because it does not concern itself enough with the consequences of a merger for the employees of the involved companies, especially the acquired company. (cf. e.g. Lohrum, 1996, Risberg, 1999) The focus on top management, however, is understandable not only in the light of gaining access to companies (via top management), but also in the light of the effort in merger research put into improving the management of mergers and the integration process that follows them. This is, undisputedly, a process that to this day has been managed by people who are responsible for the performance and value creation of the company, i.e. (top) management. As Vaara (1995) points out, the general assumption is that managers of an organisation are responsible for ‘making a merger work’, and that managers are ‘powerful actors’ in change processes like mergers. In addition, information is evidently restricted and control moves to higher levels in a mechanistic shift during threatening times in organisations. (Staw et al., 1981) A merger can pose such a threat.

The criticism of the top-management perspective solely within merger research would have its point, however, if it took on a form in which the people ‘to be managed’ were overlooked as the resource they are for their company. As will be evident from the findings presented in this study, the management of human resource-related aspects (on all levels of the involved companies) should be included in merger management as well.

This study focuses on the management of mergers from a top-management perspective. This does not mean that the data this study is based on the top-management level of the involved
companies solely, but includes representations of middle and even non-managerial experiences of the case mergers. In this study, the concern is not only the well-being of employees. Instead, the well-being of the whole organisation as a complex system in which top management, employees, finances and other aspects of doing business are intertwined is the focus.

CULTURE

When examining the human side of mergers, one cannot avoid the concept of ‘culture’ to cross one’s path eventually. The above definition of the human side of mergers included ‘culture’ as one of its possible ingredients, as ‘culture’ seems to be a part of human life in one way or the other. At the time of embarkation on the voyage into the world of mergers and post-merger integration, I was fairly certain that ‘culture’ would come to play a significant role in analysis later. During early analysis, however, ‘culture’ seemed not to constitute the best possible point of departure and perspective for this study.

Could it be that a cultural perspective hinders the researcher in seeing the diversity of views, disharmony, and ambiguity in organisations just because in a cultural perspective one usually looks for what is shared? Could an interpretive approach to acquisition without the limitations of a cultural perspective capture the multiple interpretations and the ambiguity of post-acquisition processes? (Risberg, 1999, p. 15)

According to Reis Louis (1985b) there are two broad purposes for the study of culture: to increase knowledge of culture through the study of phenomena or to increase knowledge of a phenomenon through the study of culture. In this study, interest lies upon a phenomenon, i.e. post-merger integration. The choice was not to study this phenomenon through the concept of culture. Instead, culture came to be regarded as a possible, but not exclu-
sive, ‘lens’ through which post-merger integration can be examined. There are several reasons for culture not having been chosen as a departure perspective in this study.

For one, the problem areas discovered in both mergers studied could not be pinned down to solely deriving from some specific aspect of culture. This would have required a far-reaching simplification of ‘culture’ and all it encompasses. Hatch (1993) has a point in arguing that the simplification of a complex phenomenon such as culture serves a purpose in terms of guiding research and the generation of theory. This would particularly be the case, were one to want to study cultural aspects or the specific role of culture in mergers explicitly. A merger could, for example, be studied as a combination of culture. This would, as argued by Cartwright and Cooper (1990), demand a large scale, longitudinal and comparative approach including all involved merged organisations as well as all levels within those organisations. The aim of this study, however, is not to focus on culture (through studying mergers) but to study mergers, post-merger integration and the problems arising in them.

Another reason for not focusing on culture in this study is the following; in the analysis of the problem areas of the studied mergers, aspects of organisational life emerged that can be termed aspects of (organisational or national) culture. Nevertheless, following a broad definition of culture, everything around us is culture and culturally generated, apart from what is genetic.

Organizational culture affects practically all aspects of organizational life from the way in which people interact with each other, perform their work and dress, to the types of decisions made in a firm, its organizational policies and procedures, and strategy considerations.
(Buono et al., 1985, p. 482)

We produce culture and are the products of culture. (e.g. Moghaddam et al., 1993) Additionally, ‘culture’ is not a term that
can be pinned down to one universal definition, precisely because it is so broad and all-inclusive. Oftentimes, for example, the terms culture and spirit (Franck, 1990, Polesie, 1991) as well as identity, image, personality, character, impression (Bernstein, 1984) are used interchangeably. Also, the culture, image and identity ascribed to a corporation seem to be similar ideational phenomena. (Alvesson, 1990) As Vaara (1999) points out, problems arising in mergers and post-merger integration are easily ‘explained away’ by cultural differences both within research and in practice, adding to the superficiality and stereotyping that often is characteristic of culturally focused research. The pitfall of a cultural view that I wanted to escape in this study is that when everything becomes cultural or culturally explainable, it becomes as complex as the phenomenon culture. As Cohen (1976, in Smircich, 1985) has pointed out, culture as a concept is too all embracing for the study of people in organisational life. A better term seems to be symbol; we cannot know what people think, the best thing we can go by is representations or symbols for what they think. (idem) Additionally to the inherent complexity of culture to begin with, it is said that culture becomes even more complex in industrialised society compared to small and remote societies, because it offers numerous “designs for living” to its members. (van Maanen and Barley, 1985) The complexity of culture in a merger setting is further increased by organisational cultures arguably being embedded in larger cultures. (Frost et al., 1985b) The complexity of the concept of culture is thus the second reason for not choosing to focus on culture in this study.

A third reason for not choosing ‘cultural lenses’ is that seeing culture as something static and manageable did not comply with how the concept of culture is understood in this study. This division over how culture is generally understood can be found within the study of the concept of culture and specifically organisational culture, and therefore needs to be discussed in detail in order to clarify the standpoint taken in this study.
Many discussions have portrayed culture in organizations as a force for organizationwide solidarity. While we do not deny that normative unity is a distinct empirical possibility, our perspective on cultural organization intimates that cultures are just as likely, if not more likely, to act as centripetal forces that encourage the disintegration of that very unity for which commentators occasionally pine.
(van Maanen and Barley, 1985, p. 48)

Within the broad area of organisation theory, ‘culture’ and specifically organisational or corporate culture is an extensively examined phenomenon, both theoretically and empirically. (e.g. Alvesson, 1985, Frost et al., 1985a, Hatch, 1993, Müllern, 1994, Schein, 1987, Williams et al. 1989) ‘Culture’ is likewise broadly covered within merger theory, mostly focusing on cultural differences between the merging organisations and the integration of these differing cultures into one, the acquirer’s or a ‘new’ but nevertheless homogeneous one. Consequently, it often focuses on ‘cultural congruence’, ‘cultural fit’ and ‘cultural clashes’ between organisations as ‘foundations’, facilitators or impediments to successful mergers and post-merger integration. (e.g. Buono and Bowditch, 1989, Buono et al., 1985, Burke, 1987, Cartwright, 1998, Cartwright and Cooper, 1993a, 1993b and 1992, David and Singh, 1994 and 1993, Davidson, 1991, Elsass and Veiga, 1994, Franck, 1990, Larsson et al., 1994, Lohrum, 1992, Malekzadeh and Nahavandi, 1990 and 1998, Meyer, 1996, Nahavandi and Malekzadeh, 1988 and 1993, Olie, 1990 and 1994, Weber et al., 1996) A merger (or acquisition in general) is argued to be the greatest disturber of ‘cultural peace’. (Cartwright and Cooper, 1990) The concept of ‘cultural fit’ supposes that two organisations with more similar cultures are easier to merge, i.e. join together, than two organisations with dissimilar cultures. Thus a merger between two organisations of a more similar culture is argued to have superior chances of succeeding than a merger
between organisations with dissimilar cultures. An examination of the concept of ‘cultural fit’ includes the fact that it seems difficult to find acquisition targets with a ‘matching’ culture. Additionally, research results seem to indicate that it does not necessarily guarantee merger success. (Malekzadeh and Nahavandi, 1990) It is thus not an “implacable force”, as its influence seems to be determined by the degree of integration originating in the merger motives and the implementation of post-merger integration, for example. (David and Singh, 1994, p. 285 ff.) Additionally, ‘cultural clashes’ can evidently be ‘overcome’ and thus are argued not to have to make or break a merger. (Perry, 1986)

As Malekzadeh and Nahavandi (1998) point out, neither organisational nor national culture should be seen as separate aspects of organisational life. Instead, they should be included into a more holistic view of organisational life. In this view, other issues influencing post-merger integration and its implementation, for example leadership, would be included alongside cultural issues.

Cultural differences are not the only problems in the integration of international organizations, and especially in mergers, that hinder an effective integration. (Olie, 1990, p. 211)

Post-merger integration in terms of integrating cultures has been questioned regarding its necessity, as opposed to cultural polyphony and its ‘harvestable’ strengths. (Kleppestø, 1992) Larsson (1991) regards cultural similarities or differences (unless they are severe) to be too simplistic to serve as a ‘strategic rationale’, i.e. to base a merger decision or merger target selection on. The difference between viewing culture as the basic feature behind all integration problems a company encounters after a merger (‘cultural fit’) or as a mere aspect among other aspects originates in a difference of how culture is viewed. There seem to be two distinctive “schools” of how to perceive the concept of organisational culture, for example. The difference is described as viewing organisational
culture as an object or entity which can be broken down and examined, focusing on distinctive variables, as opposed to viewing culture as a metaphor. As a metaphor, organisations are viewed as being like cultures, and the focus would be on processes and their attributes. (e.g. Frost et al., 1985b, Kleppestø, 1993, Matsgård and Pernodd, 1996).

Thus the ‘cultural fit’ view seems to presuppose that culture is something organisations have, like a possession. This view seems to be rooted in some kind of social engineering striving for organisational effectiveness, predictability and control, for which the abstraction of different concepts and the examination of their (cor)relation seems to be needed. (Smircich, 1985) In the ‘culture-as-a-metaphor view’, culture is something that is, i.e. organisations are cultures, they do not have them as something explicit and clearly definable. Culture is thus viewed as being constructed in an on-going process of creating meaning – “world making”. In this sense culture is not a suitcase that can be switched into another one or just have its content changed whenever suitable. Rather, culture becomes a means to study social significance and cannot be separated from people in interaction. (Smircich, 1985)

Indeed, while we may like to think of culture as a managerial tool that can be used to create “strong” organizations, culture may manage us much more than we can manage it. (Buono and Bowditch, 1989, p. 163)

The view of culture as something static and manageable is thus what is opposed in this study as a third aspect of culture. To summarise, the reasons for why a cultural view or ‘lens’ was not chosen in this study, although it seemed ‘unavoidable’ in its beginning, are to avoid:

1. the ‘oversimplification’ of the concept of culture
2. making everything ‘culturally explainable’ due to the all-inclusive nature of culture
3. seeing culture as something static and manageable

One contribution the study of organisational culture has brought with it is the sensitising of both theory and practice to the intangible, softer, subtler, more soulful and mysterious aspects of organisational life away from the focus on merely technical processes. (Frost et al., 1985b, Smircich, 1985) As Reis Louis (1985a) points out, the consideration of culture paired with the examination of organisational life might lead to “possibilities of other, perhaps better scenarios of life at work.” (idem, p. 29) The most significant contribution of the concept of culture lies in the notion of ‘cultural awareness’. Not only has it increased our understanding of people ‘from other cultures’ than our own in terms of cultural differences (e.g. Ueno, 1992), but it has also given us a tool to understand our actions and ourselves better. Smircich (1985) refers to this as the ‘the skill of self reflection’.

One of the benefits of the culture idea is that it raises our consciousness of implicit assumptions that explain why we do things. (Smircich, 1985, p. 59)

Cultural awareness has additional benefits. Gertsen et al. (1998) point out that research into cultural dimensions in mergers sometimes lacks a clear definition of its underlying view of the concept of culture. The culture concept employed, however, influences the choice of a theoretical framework and the design of the research. Awareness of this point would enhance the understanding of what the chosen concept emphasises and what it is less suited to uncover. (idem) Additionally, awareness of this point on the part of the researcher(s) could perhaps also enable a more accurate evaluation of the results and the overall contribution of the
research. Researchers are not immune or free from these kinds of influences;

...we, as researchers, have cultural assumptions and do not operate in a “cultural vacuum.”
(Cartwright, 1998, p. 10)

Additionally, in terms of ‘real life out there’, cultural awareness is argued to be a significant means to integrating all levels and units of a company (Torrington, 1994), not only during times of mergers. In terms of mergers, however, Kleppestø (1998) makes an interesting point in arguing that ‘cultural clashes’ actually happen when social identity is pursued. This would mean that they are not derived from cultural differences, but from the establishment of groups and group boundaries. In a merger, ‘cultural clashes’ would thus originate in the integration process as such. (idem)

OUTLINE OF THE STUDY

In the introductory chapter of this study above, the overall purpose, the paradigmatic positioning, the method employed and the frame of reference of this study have been discussed.

Chapter two lays out the theoretical side of mergers to this day in summarising previous research into mergers, particularly on the human side of mergers. Major streams of research and the justification of post-merger integration as a significant aspect of mergers in terms of their ‘success’ or ‘failure’ are discussed. Also, the results previous research into the human side of mergers and post-merger integration has brought forward are examined.

Chapter three gives a detailed account of the characteristics of the data that provide the base for this study. Also, the nature of the data collection and analysis is described. In particular, a detailed description of the stages of data analysis is presented.
The plunge into the empirical side of this study follows in chapters four, five and six.

Chapter four gives a detailed case description of the company and its history. The growth of the company to its present size is portrayed both in terms of acquisitions and in terms of key figures. Also, the evolution of its organisational structure is revealed. In order to give a complete account of all necessary background information for the story on the case mergers and their respective problem areas, some details about the diesel engine and the diesel engine business relevant to the cases is also described.

In chapters five and six the studied mergers and their general findings are described and analysed and their results discussed. The two mergers of the case company are accounted for separately. This has several, interconnected reasons. For one, the data are temporally different. The accounts of the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel were collected 9 years after the merger was made official, the ones on the merger between Wärtsilä Diesel and New Sulzer Diesel during the first two years of the merger and post-merger integration process. The outlook of respondents on the two mergers was thus different due to their temporal distance or lack thereof to the respective merger. Secondly, a rich familiarity with individual cases (the mergers of the case company seen as two separate cases as such) allows for the uniqueness of each separate case to emerge before comparisons and possible generalisations across cases are made. (Eisenhardt, 1989) The third reason is that the data of the first studied merger had an impact on the collection of the data for the second merger. This chronological sequence in the research process is a significant aspect of the path undertaken to arrive at the findings of this study, and makes it important to account for it in a manner that justifies its significance. The representation of this study in this chronological style is, furthermore, in accordance with the temporal aspect of the narrative approach taken in this study; stories are retrospec-
tive interpretations of events from the view of the storyteller. (cf. e.g. Søderberg, 2000)

Chapter seven is the concluding chapter of this study, providing the reader with a summary of the work presented, an evaluation of the findings and an outlook at the impact of this study regarding future research. Figure 1 below provides a visual overview of the disposition of this study.

In the presentation of this work, quotes from interviews are occasionally used. They serve differing purposes. For one, they are employed as a means to highlight a specifically interesting aspect of data and analysis. Also, they serve as a means to improve the reader friendliness of this study in increasing its variation and ‘animation’. Last but not least, quotes are used for the purpose of showing how interviewees have expressed themselves. All quotes not originally in English were translated by the author in order to make this work more understandable.
Figure 1: Disposition of the study
In this chapter, prior research into mergers is examined in order to portray the landscape of existing research and depict this study’s place in this landscape. Thus, its contribution to this field of research can be clarified. First, the different streams of research are accounted for, in order to narrow down the field of research relevant to this study. Then, the concept of ‘merger success’ in relation to existing research within the field is explored. From there, the human side of mergers, the traits of existing research and its general findings so far are discussed. All this serves the purpose of placing this study in its appropriate context, thus creating a stage for it to play its part.

Research into mergers and acquisitions has been conducted from different perspectives, ranging from purely financial analyses over economic and strategic issues all the way to organisation and the so called softer aspects of organisational life, like aspects of organisational or national culture and human resources etc. Larsson (1990), for example, distinguishes between strategic, economics related and organisational literature. Haspeslagh and Jemison (1991) differentiate between four schools of thought within research into mergers and acquisitions;

- the capital markets school
- the strategy school
- the organisational behaviour school
- the process school

Research within the capital markets school would focus on value creation and the efficiency impact of merger and acquisitions on the economy in general and would thus incorporate the study of stock prices. Within the strategy school, the focus would be on the likelihood of success of a particular merger or acquisition in
terms of fitting the acquiring company’s business and on broader strategic aspects of acquisitions seen from an acquiring company’s side. The acquired company should in other words complement the parent company’s overall strategy. Thus the focus would lie on the impact of a merger or acquisition for an individual company. Within the organisational behaviour school, interest would be directed to aspects of the impact and effect of mergers and acquisitions on individuals and organisations and problems relating thereto. The process school, again, would focus on combining strategic and organisational aspects of mergers and acquisitions in order to examine the role of the merger or acquisition process in terms of attainment of strategic objectives. The decision making and integration processes of a merger or acquisition are recognised as determinants of the outcome the organisational change. (Haspeslagh and Jemison, 1991)

These different research focuses are, in essence, academic and have arisen out of research into mergers and acquisitions. As analysis is the division of something into smaller parts (Kvale, 1997), this has been done with the merger as well. In ‘real life’, i.e. a ‘real’ merger or acquisition, all these parts are and remain interlinked. As Haspeslagh and Jemison (1991) point out, this kind of separation is a luxury reserved to researchers and other outsiders as opposed to the management of these organisational changes within organisations. Also Larsson (1989), too, suggests that the overall view of organisational integration would need to incorporate business, organisational and employee views. A merger and its subsequent integration is about synergy potentials (business side) and the realisation of these potentials (organisational and employee side), and both these sides seem to be significant to synergy realisation. (idem) An overly narrow separation or division can apparently take place not only within research, but also among practitioners. Thus the study of human resource related issues within mergers and acquisitions can be regarded as complementary to the financially and strategically oriented research into
mergers. (Cartwright and Cooper, 1992) Research and practice could thus get closer to a more holistic view of mergers and acquisitions.

For the sake of analysis, the academic division of the theory relating to mergers and acquisitions is continued after narrowing the field down to suit the purposes of this study, even though Larsson (1989) does have a point when advocating bridging the gap between the different research areas. Vaara (2000), again, calls for the inclusion of the broader societal implications of mergers into the stream of merger research, which so far does not seem to be very extensive, even though mergers are increasing in number and size. However, the focus of this study is, to follow the above distinction, the organisational behaviour part of merger related research. In this study, the term human side is preferred. The importance of the human side of mergers in terms of merger success is explored, in order to justify the focus of this study on that particular area of mergers.

**MERGER SUCCESS & THE HUMAN SIDE OF MERGERS**

There seem to be considerable variations in the study of merger outcome regarding the methods used, the samples and the time periods included and excluded. (Magenheim and Mueller, 1988, Roll, 1988) Naturally this would partly depend on the viewpoint taken, i.e. which ‘school’ described above would be the point of departure. Nevertheless, the economic result of a merger seems to be confronted with difficulties concerning time perspectives and issues of inclusion or exclusion. This seems to be applicable both for a specific merger as well as the merger as a phenomenon to be justified in general. (Kleppestø, 1993)
Studies of mergers and acquisitions in the US seem to indicate that they tend to create value for the acquired company’s shareholders, but evidently not as often for the shareholders of the acquiring company. (Roll, 1988, Markides and Oyon, 1998, Payne, 1987) There seem to be several possible reasons for this. Magenheim and Mueller (1988) argue that an acquiring company is obliged to pay a premium exceeding the market value of the target company. Markides and Oyon (1998) also point out that bidding competition seems to drive prices up to equal the acquired company’s ‘real’ value, thus creating gain only to the target company’s owners. Overpayment can derive from, for example, irrational exuberance about the strategic importance of an acquisition, growing enthusiasm during negotiations or poor negotiation skills, (Eccles et al. 1999) misrepresentation of the target company’s financial strength or prospects by the sellers of the company, (Shrallow, 1985), or the imperfection of managers regarding investment decisions. According to Markides and Oyon (1998) there seems to be a correlation between the profitability of an acquiring company and the value it creates through its acquisitions. Managers of highly profitable companies seem to be more ready to undertake wasteful investment than their counterparts in less profitable companies, which seems to lead to less value creating acquisitions for profitable companies. (idem) Companies that do not comply with the needs of the acquiring company can be invested in, (Chaudhuri and Tabrizi, 1999) or managers can be over confident in their abilities to manage a combination and thus pay too high a price for another company. Thus acquisitions are argued to fail simply because the acquiring company ‘paid too much’ and thus fell prey to what Dickie et al. (1987) call the ‘winner’s curse’.

As Lorange et al. (1987) point out, the reason behind a merger might not focus purely on financial gain, especially not short-term financial gain. The survival of the acquirer might call for a merger, or the attractive resources of another company, well justifying a high premium. (idem) Also, managers’ focus on short
term profits can lead to ‘value capturing’ instead of a more long term ‘value creation’. (Haspeslagh and Jemison, 1987) In some cases managers might not have the shareholders’ value as their first interest, (Markides and Oyon, 1998), but be driven by self interest (Sudarsanam, 1995), such as desires of an ‘empire building’ nature, (Payne, 1987, Sundarsanam, ibid.) prestige or even simply increased personal rewards, (Newbould, 1970, in Cooke, 1986) i.e. straightforward benefits for management. (Trautwein, 1990) Merger motives as such can vary greatly and differ in nature (cf. Cooke, 1986) and, according to Cartwright and Cooper (1993a), include the practical, psychological and opportunist kind. Johannisson (1980, in Dahlgren and Witt, 1988) argues that mergers are such common strategic actions because the myth of their profitability has become an argument with which the management of the acquiring company acquires increased power. Harari (1998b) even identifies a vicious circle, in which the success of a company creates tendencies towards megalomania in boardrooms, leading to mega-mergers. These in turn lead to short term artificial increases in stock prices, more ‘success’ – and voilà, the time for the next deal is right around the corner. (idem) Even though paying a high premium is a common feature of acquisitions, it does not always correlate with their success or failure. (Eccles et al. 1999). Harari (1998a and 1996) points out that there seem to be ‘successful’ mergers, and ascribes to them features such as infrequency in a company’s history, ‘under sizing’, prudence, previous positive merger experience and strategic logic, thus making the successful large scale merger an exception, not a rule.

Reasons for why for example acquisitions in Canada and Great Britain by US based companies evidently do not create value for acquiring company’s shareholders, but acquisitions in Continental Europe do, seem to lie in the area of the utilisation of intangible assets of and by the acquiring company. (Markides and Oyon, 1998) Interestingly, Angwin and Sawill (1997) found that there did not seem to be a significant difference between the suc-
cess rates of domestic and cross border acquisitions. Cross border acquisitions even seem to be slightly more successful, especially within Europe. They speculate that cultural and geographical distance might in fact have a positive effect on acquisitions, possibly because of less parent company interference. Cross border acquisitions tend to be more close to the core area of business of the acquiring company, however, and thus less risky. Respondents of their study did – with a variation depending on country of origin and acquisition experience – ascribe more risk to cultural differences. ‘Internal’ factors such as culture, morale and language seemed to be perceived as more significant than external factors like market conditions, politics and regulation. (idem) Also Malekzadeh and Nahavandi (1990) consider the imposition of the acquiring company values, systems and structures (‘culture’) regardless of the needs of the acquired organisation, to be a reason for ‘merger failure’.

According to a joint study conducted by the University of Münster in Germany and the consultants then called Andersen Consulting, mergers seem to fail mainly because of internal, ‘practical’ aspects of integration that had not been foreseen. (Kauppalehti, 4.9.2000, p. 9) Morse et al. (1987), for example, argue that quick decisions based on ‘shallow perceptions’, i.e. deficient information, cause mergers to go sour. Also Lorange et al. (1987) state that merger failure can be attributed to unrealistic or insufficient knowledge of the internal strengths and weaknesses of the acquirer by its own management, which could then lead to distorted acquisition criteria. Or, as Needham (1987) points out, the acquirers’ initial analysis is fashioned to fit expectations. Kitching (1967), for example, identified the underestimation of the time integrating two companies would take and reluctant, ‘old’ or ‘conservative’ management as reasons for merger failure. Datta (1991), too, identifies differences in management style of merging organisations as reasons for negative performance in conjunction with mergers. Cartwright and Cooper (1993b) advocate the inclusion
of the role of people in merger success. To know what to expect in terms of ‘human issues’ and to plan for them seems to be difficult, however. As Shrallow (1985) points out, merger failure can descend from the acquirer’s incapacity to understand the acquired business or the acquirer not having asked a sufficient amount of ‘the right questions’.

Creating value through recombining businesses depends to a large extent upon a cooperative internal environment where new coordinating arrangements with incumbent management can be negotiated. In the absence of such negotiations, a promising takeover can quickly turn into a financial and organizational bust. (Salter and Weinhold, 1988, p. 149)

Deiser (1994) points out, that a mismanaged acquisition can turn out to be among the most costly and damaging dealings an organisation can engage in. How soon, in what way and to what extent a merger should be ‘profitable’ could be a constructive thought in itself. If the motivation for a merger were growth and a better positioning on the market, then the achievement of these two features could already constitute the success of the merger. Of course, one has to bear in mind that mergers are supposed to be a means to benefit the overall business of a company.

Consider a situation where a company believes that it will not survive competition unless it makes an acquisition. The larger the expected deterioration of profits without the takeover\(^9\), the more profitable the acquisition will be on an incremental basis. (Bild, 1998, p. 206)

Howell (1970) states that mergers fail because what is promised in the negotiation phase is not delivered later by the acquiring company. (cf. also Malekzadeh and Nahavandi, 1990) Payne (1987) calls for a strategic approach to acquisitions, if they are to have a chance of success, and advocates the inclusion of ‘soft

The value of a merger or an acquisition cannot be captured at the time of the deal, but has to be created after the deal is done. This is why post-merger integration and its successful management are important for a merger’s overall success. (Haspeslagh and Jemison, 1987 and 1991) Even as early as the 1960s, Kitching (1967) concluded that synergy is a result of evidently outstanding management, i.e. created by management. The emphasis on integration and the successful management of it is evidently also rooted in integration being a measure of ‘merger success’, i.e. how successful the merger is experienced to be.

Also a brief look into the reasons for ‘merger disappointment’ indicates that it can go wrong on the ‘human side’;

…the acquiring company takes too many years to realize the expected synergies or is unable to get people to work together productively or puts the companies together in such a heavy handed way that the unique capabilities of the acquired company (its best people and most valued customers, for example) melt away.

(Ashkenas et al., 1998, p. 166)

A merger is a financial as well as human activity, and one or the other ‘side’, often termed ‘hard’ and ‘soft’, should, according to Cartwright and Cooper (1993a and 1993b), not be neglected when examining merger success. On the contrary, ‘human syn-
ergy’ is argued to be a prerequisite of integration success. (Cartwright and Cooper, 1993a)

As the inadequacies of more traditional explanations of merger failure are being recognized, there is a significant revival of interest in the human aspect of the phenomenon and its role in determining merger outcomes. (Cartwright and Cooper, 1993a, p. 58)

The human factor emerges as a key dimension of both pre-acquisition planning of the deal and the post acquisition management. (Sundarsanam, 1995, p. 229)

In the light of the above, the discussion on merger success, or lack of it, thus seems to lean towards the human side of mergers, as integration management is considered to be key. Naturally, this is evidently paramount in the type of mergers in this study, the kind characterised by a necessity for extensive integration, i.e. ‘socio cultural integration’. As discussed above, the concept of ‘success’ is viewed as being subjective, although it seems to have a collective dimension to it in ‘the merger as a benefit generating business measure’ and ‘the merger as a business measure supposed to look in a certain way’. Considering the importance ascribed to integration performance and integration management that became evident in the discussion above, the merger as a benefit generating business measure would seem the more significant one. Nevertheless, the expectations of a merger in terms of its ‘appearance’ or ‘demeanour’ (in lack of better expressions) would also seem to play a role in this context, as the ‘how’ obtains increased importance where people are involved. The findings of this study will point to this as well; therefore we will save this discussion for later and move on to examine existing research into the human side of mergers and post-merger integration.
PREVIOUS RESEARCH INTO THE HUMAN SIDE OF MERGERS

According to Cartwright and Cooper (1992) the exclusively financial analysis of mergers and merger outcomes described above does not include issues of compatibility of management styles and cultures, for example. Neither does it examine human resource issues such as the transfer of skills, declining motivation after a merger, loss of key employees and the management of integration. (idem) The justification for the study of the human side of mergers can be found in that a merger and the integration following it can turn out to be expensive in ‘human costs’. (Burke, 1987) Also, as Gertsen et al. (1998) argue, the perceived failure of mergers by and large created a need to explain ‘why mergers do not always live up to expectations’. (idem, p. 20) As stated above, the success of a merger characterised by a high degree of integration is largely determined by the success of the integration process following it. According to Davidson (1991), integration can be difficult or near impossible to achieve due to the difficulties inherent in combining two separate organisations. In order to achieve integration, not only structures and systems should be combined, but also the people who prior to the merger operated separately.

Olie (1994) argues that the human side of mergers and particularly post-merger integration is often not given enough attention by decision makers in practice, compared to the attention strategic and financial issues receive. This would point towards a growing need for awareness of the importance of this side of mergers. The prerequisites for this increase in awareness seem to be favourable, as the study of the impact a merger has on an organisation and the individuals within organisations has been and continues to be lively.

Other fields of research have been criticised for lack of attention to the ‘human side’, such as, for instance, project management theory, (Frommer & Wikström, 1999) but generally
speaking, the following discussion indicates that research into mergers cannot be accused of this.

AREAS OF RESEARCH

Haspeslagh and Jemison (1991) have identified three broad sub groups within research into the human side of mergers, although they do point out that many other perspectives have been explored individually. The three general groups, however, would be

✓ the human resource tradition,
✓ the crisis tradition and
✓ the cultural compatibility tradition.

Within the area of human resources, the focus would lie on the human problems a merger or acquisition seems to create, as well as their avoidance and/or minimisation. The crisis tradition would concentrate on the negative consequences of a merger or acquisition by examining the collective experiences of individuals specifically within an acquired company. The cultural compatibility tradition, again, as might be guessed, would focus on the organisational cultures of the involved companies and the importance of how these fit together, i.e. ‘cultural fit’. (idem) The cultural compatibility tradition could be seen as an extension of the ‘strategic school’ advocating strategic compatibility of the merging companies as a prerequisite for merger success, i.e. ‘strategic fit’. Broadening the concept of ‘fit’, ‘organisational fit’ would be the next step, to include merger implementation issues. ‘Organisational fit’ would thus become the prerequisite for the achievement of the synergies ‘created’ by ‘strategic fit’. ‘Organisational fit’ issues, again, can include issues ranging from organisational structure over human resource related aspects and, not surprisingly,
organisational culture and thus ‘cultural fit’. (cf. David and Singh, 1993)

Organisational merger theory is, according to Larsson (1989), a field of research where the realisation of synergies is addressed in a more substantial fashion than within business theory on mergers. The focus lies on the human side of mergers, and thus heavily on the avoidance of ‘negative synergy’ and not as much on the realisation of ‘positive synergy’. (idem)

This study would have to be placed in the human resource tradition, as the focus is not solely on examining the negative consequences of the studied mergers for the employees of the involved organisation. Neither is the focus on cultural compatibility. Instead, the main focus lies on studying ‘problem areas’ which seem to arise on the human side of mergers and post-merger integration. Overall, in line with the pragmatic approach chosen in this study, it can be said that the avoidance of ‘negative synergy’ is a basic concept of this study, because it could evidently enhance the individual, subjective experience of merger success or failure.

In the next section, the general findings previous research into mergers and post-merger integration has so far produced will be explored. This examination will focus on the human side of mergers and post-merger integration in particular, as it is the most significant area of merger research for this study.

GENERAL FINDINGS WITHIN PREVIOUS RESEARCH

In general terms, a merger has been found to be an emotional and destabilising organisational ‘event’, (Cartwright and Cooper, 1993b and 1992) disrupting fundamental value systems, (Kleppestø, 1993) with a generally negative impact on morale and productivity. (Shrivastava, 1986) The integration of two organisations, as in joining disparate people, cultures and systems, is
described as difficult, hard day to day work demanding management attention and resources. (Harari, 1998b, 1996)

The trauma a merger can create seems to be severe because in comparison with other organisational changes, the speed of change seems to remain opaque and unforeseeable, often drawing out in time, with the merged companies functioning as separate units for some time after the merger. Also, the scale of the change and the critical mass of the unknown are argued to differ if compared with other forms of organisational change. (Cartwright and Cooper, 1992)

As stated above, previous research into the human side of mergers and post-merger integration has concerned itself to a large extent with the effects of the organisational change a merger constitutes. The findings within previous research can be grouped into the effects a merger has on the organisation, and the effect a merger has on individuals within an organisation. This division will be followed here; previous literature will be examined with this classification in mind.

**Effects on Organisations**

Mergers and acquisitions are about power, differing perceptions, cultures and definitions of the situation and so are potentially conflictual, the social and cultural ramifications of which extend beyond the boardroom. (Cartwright and Cooper, 1992, p. 36)

At an ‘organisational level’, common problems related to human resource issues or the human side of mergers and acquisitions are numerous and not always very clearly structured. The following list is collected from a number of references. The purpose of the following list is not to contribute to theory building
or analysis, but to provide the reader with a picture of the field of research around the human side of mergers.

The effects of a merger on an organisation can be the following:

- organisational insecurity
- paralysis of organisation
- loss of direction of the organisation
- lack of involvement
- increased dissatisfaction
- de-motivation
- lowered commitment, plummeting morale
- dysfunctional behaviour
- disloyalty, lost loyalty
- conflict
- loss of key employees (‘brain drain’, ‘lost talent’), high turnover
- problems of skill transfer
- suffering of energy drain within post-merger integration
- neglect of business due to concentration of attention on acquired company
- customer concerns, rising insecurity and nervousness among customers
- declining or reduced productivity, unproductive behaviour
- declining or reduced work quality and customer service
- disaffection with organisation possibly leading to sabotage, theft, violence
- difficulty of merging two cultures, ‘culture clash’
- increased centralisation
- unintended consequences for employee attitudes and behaviours (e.g. psychosomatic reactions, sleeplessness, other health problems)
- increased market opportunities for the competition
- expenses and drain on profitability
Mergers can also have effects on the communicational dimension of organisations;

- failure to understand what is happening to oneself and the rest of the organisation
- decreased communication
- rumour mongering (due to people having to cope with unpredictable events, relations and general confusion)
- stereotyping of the ‘other side’
- ‘us-them division’ (also called ‘we-they division’)

In addition, effects can include attitudinal aspects;

- worst-case scenarios
- resistance to change
- preoccupation with merger
- energy devotion to merger deal
- political manoeuvring
- win versus lose
- war-room and combat mentality
- fight/flight reaction
- interpersonal and intergroup tension
- less insight leading to more ‘groupthink’
- superiority versus inferiority
- self-absorption


Reasons for these organisational consequences of mergers seem to lie within the areas of insufficient research of the acquired company, power struggles, delayed decision-making due to unclear responsibility division and post-merger conflicts as well
as decision-making which can be coloured by coercion. Leadership is argued to be crucial. (Cartwright and Cooper, 1992, Marks and Mirvis, 1998) The additional time and the added resources required to manage the transition can play a role in the management of a merger, as ‘integrative issues’ evidently lie in the danger zone of involving management and taking up too much time. This in turn is argued to have a negative effect on key business operations and the decision making related to them. (Gall, 1991)

Evidently, research into the human side of mergers and post-merger integration is not extensive considering possible positive effects a merger might have on affected organisations and the people in them. The avoidance of ‘negative synergy’, i.e. the trauma, frustration and the like evidently present in mergers, seems to have influenced the focus of research around them. The study presented here is by no means an exception in this matter. A more detailed discussion of the topic of the ‘problem focus’ follows in the conclusive chapter of this study. This seems like a more suitable place for it, as it will follow the description of the case mergers of this study and the presentation of its findings. For now, we shall turn to the effects of mergers on the individual in merging organisations, also these being characterised by ‘negativity’.

Effects on individuals

On an individual level, a merger is argued to be a destabilising event requiring personal adjustment, which produces an emotional disequilibrium and a ‘psychological ripple’ in terms of reactions and symptoms felt throughout the organisation;

Shock, disbelief, discontent, discomfort, resentment, denial, wishful thinking, confusion, frustration, a feeling of uncertainty, threat, worry or fretting, anxiety, stress, feelings of defeat, helplessness before and during as well as after the acquisition, hopelessness, powerlessness, a general sense of loss, a sense of loss of control, loss of focus, loss of identity, loss of commitment, a

We live in times of ‘syndromes’ for most anything (Furedi, 1997), and mergers seem not to be an exception; the “merger syndrome” has been created. Marks and Mirvis (1986) define it as

…the defensive, fear-the-worst response, which is a normal reaction to the uncertainty and stress that occurs in a merger. (idem, in Burke, 1987, p. 21)

It is considered to affect perceptions, judgements, interpersonal relationships, post-merger negotiations and integration in general. Many of the above listed merger related problems are argued to be manifestations of the ‘merger syndrome’. (idem)

Reasons for stress include a reduced sense of security and anxiety because of a lack of information about what is going to happen in the future both on an individual and organisational level. (Schweiger et al., 1987) Threat (the experience of threat) is considered to cause stress, anxiety and arousal. (Staw et.al., 1981) Generally, reasons for stress that can be found within merger theory seem to include:

- insecurity
- surprise at deal
- uncertainty of future
- lack of information on effects of merger
- amount of change implied (not quality of change)
- perceived likely changes, not the effects of occurred changes
- subjective situation assessment
- worry about job security
- worry about career prospects
- worry about reward systems
- sense of loss of control
- sense of loss of identity
- sense of loss of autonomy and freedom
- sense of loss of ‘family atmosphere’
- sense of loss of camaraderie
- sense of loss of accessibility to management
- new working relationships
- ambiguous working environments
- job duplications
- transfers
- inability to ‘fit’ into the new organisation
- executives: more work, less time (tension filters down in an organisation)

(Cartwright and Cooper, 1990, Mirvis and Marks, 1992, Mirvis and Marks, 1998)

One broader term under which some of these symptoms could be grouped would be employee resistance. The merger and the integration following it are opposed, resisted. This resistance can be active or passive and individual as well as collective. It is argued to be a combination of the degree of acculturation, the degree of asymmetric transfer of control, the degree of hostility attributed to the other company and the career implications of the merger. The interpretations of the threats and/or opportunities perceived in conjunction with a merger seem to be influenced by the control imposed by the acquiring company. The perceived degree of hostility of the imposition in turn seems to depend on the information provided, both in terms of perceived quantity and quality. (Larsson, 1989)

One reason why change is resisted seems to be that people tend to identify themselves with their organisation’s image and
status. The introduction of new procedures and new personnel is resisted because it seems to be perceived as a betrayal of trust. (Tessler, 1990) Organisational members have developed attachments to their organisation’s traditions, heroes and the like (‘cultures’), and if these attachments are threatened, confusion, insecurity, resistance etc. can arise. (Buono et al., 1985) Frustration with and/or because of a merger can evidently originate from the loss of self image in terms of professional success (individually and as the ‘old’ company) and from that the perceived opportunities provided until they ‘disappear’ or ‘die’ in a merger. (Schweiger et al., 1987)

The acquisition or merger marks the death of the organization as its members knew it. Previous organizational status, loyalty, commitment and hopes and promises for the future no longer count, or are considered unlikely to be honoured. (Cartwright and Cooper, 1992, p.48)

Cartwright and Cooper (1990) take the concept of ‘identity loss’ further and argue that a merger constitutes a change or ‘break’ in the psychological contract that exists between an organisation and each employee. This contract determines certain expectations that each party has of the other. If employees perceive the contract as having changed or having been broken, it has to be reestablished and renegotiated. In this setting, people might instinctively try to hold on to what they had in the past. (idem) The change in the psychological contract has also been suggested for lying behind the ‘us them’ division mergers seem to suffer from; it seems to be enhanced by individuals seeking to recreate a previous status quo, i.e. trying to reinstate the past. They thus mingle with old colleagues and reject new ones. (Tessler, 1990)

Loss of identity as such, both individual and organisational (or corporate) has been studied to some extent in conjunction with mergers and the trauma connected with them. Consciousness about corporate identity is said to increase together with mergers
and acquisitions, where companies are argued to have an increasing need of showing a clear corporate identity. (Hinn and Rossling, 1994) According to Bernstein (1984), a company’s identity has to change when the company undergoes more radical change. This explains a need for increased awareness of corporate identity in conjunction with mergers. (idem) Identity seems to be the prerequisite for ‘group feeling’, i.e. not only having a sense of belonging as an individual but also knowing that the other members of the same organisation have a very similar sense of belonging. As members become more attached to a group, they have more of a stake in the group and a stronger interest in continuing their membership. (Peteraf and Shanley, 1997)

Alongside the concept of ‘identity loss’ other theories have been put forward to explain the difficulties so often found in mergers and post-merger integration. Shallowed (1985) argues that the differing management philosophies of merging companies could be at the root of disharmony, resentment, disaffection, ‘enstrangement’ and possibly ‘divorce’. Nevertheless, these difficulties should not be accepted as uncontrollable and unavoidable. (idem) Within the ‘cultural’ area of merger research it is suggested that the conflict and stress occurring in a merger is due to ‘acculturative stress’ created by disruption and conflict when two cultures come into contact. (Buono and Bowditch, 1989) Features of cultural congruence within each organisation and in between them seem to determine the amount of stress. (Nahavandi and Malekzadeh, 1993)

Haseslagh and Jemison (1991) argue that there are three possible sources from which post-merger integration problems arise; determinism (manager’s belief that original integration plan can and will be implemented as such), value destruction (integration experience is contrary to previous expectations, loss is imminent, value is destroyed for the individual), and leadership vacuum. According to Sundarsananam (1995) the negative consequences of mergers have two sources; the degree of cultural fit of the two merging companies and the degree and scale of stress expe-
rienced by the individuals in the affected companies. Olie (1994), again, identified

✓ firm specific (e.g. management styles),
✓ country specific (e.g. legal requirements, political environment)
✓ and industry specific (e.g. sales traditions)

obstacles to integration and the development of uniform practices in a merging and merged company.

An organization consists of individuals who in the past have been more or less successful in creating a common identity of shared values, a history, and a corporate culture. In the present, events occur that raise hopes or misgivings for the future. If our comprehension of the past, the present, and the future, both as individuals and organizations is deficient, we exhibit disturbed behavior and stress expressed as alienation, aggressiveness, fatigue, etc. If we lack understanding of the company history – founding fathers, traditions, symbols, systems, processes – we may feel deprived. The same is true if we lack understanding of the present and the future.
(Gummesson, 1991, p. 89)

As theory on mergers and post-merger integration tends to be normative, a number of ‘facilitating actions’, recommendations and such can be found to prevent and/or counteract the negative consequences of mergers. Just to name a few, these include recommendations such as convincing people to accept the change (and thus prevent the loss of key employees), establishing a team to plan and implement the integration, starting the team’s work before the announcement of the merger, giving a clear direction to the organisation, (and thus providing mental security), giving an explicit role to an acquired unit and communicating it, ensuring structural continuity, showing consistency and openness, etc.
These ‘measures’, summarised by Chaudhuri and Tabrizi (1999), are argued to require the acquirer’s self knowledge, preparation and humility. As another example of the kind of recommendations given within merger research, Bradley and Korn (1981), for example, mention that sensitivity is required when immense differences in cultural backgrounds and management techniques prevail. Also, contacts with the acquired company should be maximised at an early stage and necessary changes should be made slowly, carefully and deliberately. Finally, they point out that ‘helping’ the acquired company should be avoided unless it is clearly asked for and/or necessary. (idem)

These actions and requirements sound as though it would be difficult enough for one person to develop and implement them. When a whole organisation has to be co-ordinated along these lines, the difficulties could multiply. These kinds of challenges are the ones organisations face, and the difficulty of meeting these challenges could be one of the reasons why both research and practice have experienced a strong focus on the ‘people issues’, i.e. the ‘human’ or ‘soft side’ of organisations and their management. This certainly seems to be the case in the study of mergers.

Unravelling this vast area and all the challenges it poses will not be attempted here. Instead, the purpose of this study is to investigate a ‘slice’ of it, so that the understanding that can be gained through this examination will help us to understand mergers and post-merger integration better. Therefore, previous research that is related to this study’s specific area of research will be examined in the next section: the existence of the concept of ‘expectations’ so far within research into the human side of mergers.
EXPECTATIONS WITHIN MERGER THEORY

All in all, expectations are handled in a rather ‘broad’, general and fragmented fashion within merger theory, as they are only mentioned here and there. According to the context within which they are referred to, they could be categorised into two different types. For one, there seems to be the universal ‘business sense’ sort of expectations of a financial or a result oriented nature, seemingly playing a role when examining the existence and justification of mergers per se. Harari (1998b), for example, states that the mere concept of mergers is based on apparently erroneous assumptions. For mergers, it seems to be expected that two large, dissimilar organisations can be integrated to form one corporation and this in a cost effective and timely fashion. (idem) Whether or not erroneous, mergers as such seem to be undertaken largely because they are expected to bring some kind of benefit to the organisation and (at least some of) its stakeholders. These expectations, even though of a financial or result oriented nature, could nevertheless be argued to influence people’s perception and experience of mergers, but this discussion will be postponed to later in this study, as it will involve the inclusion of the this study’s findings. This point is explored in the discussion on expectations in conjunction with ‘merger marketing’ and synergy in chapter VI.

Secondly, there seems to be the kind of expectation generally ascribed to an individual and her or his thoughts, feelings and ‘outlook’ on her or his future. Buono and Bowditch (1990) found that mergers can give rise to the positive feelings of hope and excitement and thus raise the expectations of people involved in a merger. According to Gertsen et al. (1998), some degree of ‘cultural integration’ would typically be expected in conjunction with a merger, be it an aspiration for a mutual management style or shared norms and values. Taking a look at the explicitly ‘negative’ side of mergers, it is argued that mergers seem to create
an expectancy of change and conflict. (Cartwright and Cooper, 1992) Mirvis and Marks (1992) mention that the source of the ‘merger syndrome’ is that people do not know what to expect and therefore expect the worst by and large.

The discussion of the concept of expectations within mergers can also be placed in an explanatory context. Here, either one or both types of expectations would be used to explain the negative consequences of mergers explored previously in this chapter. Examples would be Statt’s (1994) emphasis on the disrupted expectations between organisational members and the organisation as an explanation for general dissatisfaction in organisations, regardless of the change process or event creating the ‘symptom’. Another example is the idea put forward by De Noble et al. (1988), who argue that fundamental problems behind the negative symptoms of a merger are the lack of clear expectations about the roles and responsibilities of the merging parties in the new, merged company. Mirvis and Marks (1992), again, mention expectations when explaining the discomfort caused by a merger within the ranks of middle management. The experienced discomfort, they argue, stems from a lack of information coupled with demands on information by subordinates, leading to the withdrawal of middle managers in order not to cause false expectations or giving false information. (idem)

The concept of expectations also appears within merger theory in conjunction with recommendations given to facilitate merger and post-merger processes;

To facilitate the [integration] process, managerial en employee expectations must be taken into account… (Weber et al., 1996, p. 1225)

The expectations meant here are ‘anticipatory adjustments’ by individuals before encountering a new situation, which involves the ‘creation’ of expectations. Weber et al. (idem) exemplify this with managers in acquired companies, who are assumed
to expect control by the acquiring company and thus diminished autonomy. Davidson’s (1991) results indicate that a recommendation given by experienced acquisition managers would be to keep expectations simple. Marks and Mirvis (1998), again, advocate psychological preparation for a combination of companies, which could be done in many ways, among others by engaging executives in discussion of expectations or experiences.

To summarise: in existing research into mergers and post-merger integration the following types of expectations can be found;

✓ the overall business expectation
✓ the individual ‘future outlook’ expectation.

This classification of expectations should not be seen along the lines of the division into organisational and individual levels within an organisation. Rather, it is a classification of different kinds of expectations an individual enmeshed in a merger might hold. To what degree the respective expectations then become shared and thus ‘collective’ would be dependent on the specific merger situation examined (and to some degree also dependent on interpretation).

The discussed expectations could, as mentioned above, be regarded as fragments taken up by researchers focusing on other aspects of mergers and post-merger integration, not expectations and their role in mergers and post-merger integration per se. What seems to be missing in the context of expectations within merger theory, however, is a more accurate dissection of their origin and a more detailed account of their influence, i.e. role within mergers and post-merger integration. This is the aim of this study, and its contribution to research into mergers and post-merger integration. Thus, it is now time to prepare the stage for commencing the analysis of the empirical material of this study. For this purpose, the characteristics of the data used in this study and their analysis will be described in the next chapter.
In this chapter, the origin of the data analysed in this study as well as their characteristics will be described. The appropriateness of the method of data collection will be discussed by examining it both as the tool it is and by examining the role of the user of the tool, i.e. the researcher’s part and responsibility. After that the data analysis will be described in as much detail as possible, in order to provide a road map for the voyage it took to arrive at the results of this study.

DATA COLLECTION

In early 1997, a Finnish engineering group operating within project based industry, the diesel engine manufacturer Wärtsilä, ordered a merger survey from the Research Group of Project Based Industry (PBI). PBI is a research group affiliated to both Åbo Akademi University in Finland and with the Royal Institute of Technology in Stockholm, Sweden. PBI’s research activities are for the most part done in close co-operation with industry. I was recruited to be responsible for the merger survey, which was to be a part of PBI’s extensive research programme around project based industry. This study is the ‘scientific part’ of the overall merger survey, and the merger survey ordered by this study’s case company provided the means for data collection.

The aim of the merger survey was to provide Wärtsilä’s top management with a description and scientific analysis of the main ‘problem areas’ in the mergers studied. This approach proved to be beneficial for gaining acceptance, the interest and the commitment of the organisational members who volunteered to participate in this study. The benefit of making a perceived contribution
to a company that is being studied has been recognised elsewhere as well;

As a researcher in this field it has been my experience that in order to gain access to organizations during such a sensitive period in their development, organizational participation is only likely to be secured if the research is recognized as having some direct relevance to performance. (Cartwright, 1998, p. 12)

The forum for data collection consisted of a retrospective study of a merger, which came about in 1989 and a merger made official in April 1997. The data on the 1989 merger provided the first clues as to what kind of problems in terms of the human side of a merger could be found as well as a tool for refining the objectives of the study. The ‘newer’ merger, in turn, was studied during the first two years of post-merger integration, beginning in late 1997 and lasting until the end of 1998. The chronological flow of the study made ‘overlapping’ of data gathering and analysis possible. It is said that this sort of overlapping is beneficial to analysis in general, because it allows the researcher to be flexible and thus make adjustments in her or his data collection (‘controlled opportunism’). New themes emerging from the data already collected and analysed can be included in the further collection of data, for example. This is argued to be completely legitimate in case study methods, as the aim is to understand a case individually and depth thus becomes significant. (Eisenhardt, 1989) In this study, data gathering was adjusted by modifying themes touched on in interviews. An example would be the question of milestones; in a retrospective interview on a merger that took place 8 years earlier the identification of milestones by interviewees themselves seemed easier than for interviewees who where ‘right in the middle’ of a merger and its integration. Asking the interviewees who represented the second merger to identify milestones thus proved to be ineffective.
The main means of gathering data on these two mergers was the research interview. Additionally, official company publications, intra company publications and non publicised material on the mergers themselves, such as, for example, the merger contracts, were also used. In conjunction with the data gathering for the second merger, I also participated as an observer in two company training sessions focusing on bringing the two merged parties together, plus one sales training session with participants from both merged parties. It is argued that it is typical of case studies to combine different means of gathering data (Eisenhardt, 1989). In this study, interviews were the main and most important data source. For capturing the experiences and perceptions of people, this seemed the most suitable method, followed by the non participant observation of corporate training. The additional secondary data served more as a means to provide the necessary background information for the description of the two mergers.

INTERVIEWEE SELECTION

The selection of interviewees in this study was of a ‘processual’ nature. To start with, the selection of suitable interviewees was discussed with the assigned contact person in the company. Then, this contact person provided a list of people to contact and ask for an interview. Additionally, all interviewees were asked to comment on the list of interviewees and/or to make suggestions as to who else should be included. People from all management levels in the company and even a few representatives who held non managerial positions were included. All interviewees can be regarded as ‘key informants’ because they belonged to the following groups; leading positions, individuals affected by the mergers as well as ‘initiators’ of the mergers, and individuals from interest groups of the organisation (owner representatives). (cf. e.g. Pettigrew, 1990)
As I gained more knowledge and understanding of the corporation as a whole, it became easier to determine who should be included in the ‘sample’. Also, awareness of the researcher’s impact on the organisation as well as of the researcher’s responsibility in terms of this impact grew. This point will be discussed separately further below.

To gain insight into the first studied merger, 32 interviews were conducted during April, May and June of 1997. For the second merger, 110 interviews were carried out between December 1997 and November 1998. Of the 110 interviews conducted for the second merger, 38 have been transcribed and analysed in the software used to handle the interview material. A more detailed description and discussion of this computer tool will follow below in this chapter.

The 110 interviews were conducted because they provided closeness to the research object and a comprehensive understanding of the different dimensions, social dynamics, structure and the ‘richness’ of the merger and its post-merger integration. ‘Closeness’ to a case is, as pointed out by Dyer and Wilkins (1991), important to a case study approach. Thus, all interviews contributed to gaining a critical mass of knowledge. Thirty eight interviews were selected during the course of analysis for analysis in the computer tool employed in this study, because this selection counter-acted what Pettigrew (1990, p. 281) calls ‘death by data asphyxiation’. By this he means the quantity and complexity of qualitative data often becomes overwhelming to the researcher as s/he is trying to capture and make sense of the complexities of the real world, a quagmire one can easily sink into. Data reduction is one of the means he proposes to avoid being swamped by excessive information. The balance one has to try to keep is evidently fine;

Every social scientist has to find a balance between closeness and distance. Closeness is required for understanding on a deeper level what is happening, but closeness should not change into shortsightedness. For that reason distance is simultaneously required,
both for being able to place the occurrence in a larger frame, conceptually or theoretically, and for remaining free, ideologically and in terms of valuation, from one’s object of study. From that kind of a point of balance one makes the best analysis.
(Ulf Olsson, in Bengtsson and Polesie, 1998, p. xiii, translation by the author)

Selection of the 38 interviews was made on the basis of ‘saturation’. ‘Saturation’ means that no additional data can be found that might contribute to the properties of a specific category and thus to the development of theory. Similar instances, events, explanations, phenomena are seen repetitively during the joint collection and analysis of data, adding to the researcher’s confidence that a certain category is saturated. This process does not require the consideration, examination and analysis of all available data. (Glaser and Strauss, 1967)

Also, the issue of the ‘researcher’s responsibility’ regarding the impact a study has on an organisation had to be considered regarding the amount and distribution of interviews especially in the second, ‘larger’, more complex merger. It can have a negative effect if people are left out. One cannot just interview the managing director of a subsidiary, for example, without people wondering about issues such as why they were not heard, or what kind of study was being undertaken, or how distorted it would be. In this study, the researcher’s responsibility became accentuated, as access to all units and individuals within the involved organisations was gained through the top management of the case company. Generally, it seemed to have a positive effect that an extensive number of people were interviewed. It seemed to give people the picture that organisational members in a ‘power position’, i.e. top management, actually were interested in how things looked, how things were going and what was thought of the respective mergers. A primary benefit in conducting all 110 interviews, apart from the closeness to the research subject, thus lies in gaining access and trust within the studied organisation.
“So, in that sense I would not have invested these 2 hours, if I had had the thought… thought that this is all just not worth it and, eh, rather again… and I would have said, forget it, a pity for the time. But I think that if maybe a… well tuned opinion survey with a good spectrum and the right conclusions, then our colleagues and we ourselves cannot withdraw anymore. And I hope it will support that, help that really to accelerate the processes. In our heads and also towards the outer world. Then it would already have paid off, no matter how much you cost.” (Transl., Volker)

TIME SCHEDULE AND DEMOGRAPHICS

The interviews for the first merger were conducted in April, May and June of 1997, the ones covering the second merger over a period lasting from December 1997 to November 1998. It should be noted, however, that the second merger was discussed to some extent even in the interviews for the first merger, because they were conducted during the time the second merger was made official.

The 32 people interviewed for the first merger represented top and middle management. Twelve of them were Dutch, i.e. from the acquired unit. Additionally, one Dutch person was interviewed who was a former member of the Board of Directors of the Dutch unit, but no longer carried any affiliation with the company. Nineteen interviewees were Finns, i.e. from the acquiring company. One of the Finns interviewed was a mother company representative and 2 were representatives from headquarters.

The 38 interviews for the second merger analysed with the help of the computer software (described in more detail below) included two owner representatives, 5 representatives from the head office, 10 interviewees from Network Companies, 7 from the acquired unit in Switzerland, 3 from the acquired unit in France, 6 from the acquired units in Italy and 4 representatives from the
units in Finland. The interviewees are distributed over different levels as follows; 25 belonged to what can broadly be termed top management, 6 belonged to the category of upper management, 3 to middle management and 3 held non managerial positions.

The interviews for this study were conducted in Finnish, Swedish, English and German with the interviewees with this respective mother tongue. Quotes from interviews in German, Swedish or Finnish are indicated to have been translated into English at the end of the respective quote; the translation was made by the author of this study. English was used as the interview language if it was the interviewee’s mother tongue or if the interviewee’s mother tongue was any other than English, German, Finnish or Swedish. The official language of the case company was and is English, and the English of all non native speakers interviewed for this study was sufficient to enable them to go about their work in this multinational company. Language is not absolute, instead it gets its meaning from its practical application. (Hellgren and Löwstedt, 1997)

The barrier that is created by two people not communicating in their mother tongue, is, however, not absolute. Face to face communication seems to enhance the experience of understanding between the communicating parties. (Nynäs, 1998) This could possibly derive from aspects of body language and/or a/the shared experience. As Nynäs (2001) points out, the relation between cultural differences and communication between people seems to be subjected to certain pre understandings and beliefs or ideas. These might be that greater cultural differences between people makes communication between them more difficult and that knowledge of the encountered culture of the counterpart is central to being able to correctly ‘translate’, i.e. interpret what the person with a different cultural background tried to communicate. (idem) Within inter cultural communication, Nynäs found that an individual’s role as an interpreting ‘co-subject’ was significant both in communication as such and within the context of cultural
encounters. Even though we are bound by our own cultural background and the frame of reference it provides, this does not mean that we cannot communicate with and understand people from other societies. Other cultures are not isolated, and as people we already share values and conceptions. (Berglund, 1995)

For the sake of anonymity all interviewees who are quoted in this study have been renamed with names typical of the nationality of the respective interviewee. First names were preferred to codes or some kind of acronym. The first names chosen do not in any way resemble the real first names of the persons. It is possible that there were or are employees within the case company who do have a name chosen in this study. This would be purely accidental. In the ‘renaming’ efforts, a first name of any person interviewed has not been chosen as a name for any other interviewee.

Due to the gender demographics of the case company, there were very few women among interviewees. They have received male first names in this study when quoted. This could be regarded as a sexist thing to do and that it does not take into account the possible differences in the male versus female experiences of a merger. This choice, however, has several reasons. First of all, the women interviewed were so few that the number of them cannot be named for reasons of anonymity. Therefore, they cannot appear with ‘false’ but nevertheless female names in this study. Additionally, studying the possible differences of male versus female experiences of a merger is not a purpose in this study. Neither were other differences in merger experiences determined by demographic differences such as age, occupation and the like a focal point in this study.

INTERVIEW TYPE

The type of interview chosen to collect the data for this study seems to have a variety of names. The terms ‘steered’, structured, qualitative (Jacobsen, 1993), unstructured, semi structured
(Bryman, 1989) or open ended can evidently be found. The different terms arise from a comparison with completely ‘free’, in depth interviews and/or more rigid and formal ways of interviewing. The comparison influences the perceived degree of structure employed in the interview. This gives rise to differing terms for similar types of interviews, depending on what other types they are compared to and who does the comparison.

The type of interview used in this study is characterised by a number of themes that are explored with several interviewees to gather the respondents’ perception and interpretation about the examined issues. Often, the interviewer uses a checklist or aide-mémoire of some sort during the interviews. However, the order and form of the question is not fixed. Also, the questions tend to be open-ended. (Jacobsen, idem) Generally, this type of interviewing could be regarded as a ‘probing technique’. (Gummesson, 1991) It is clearly distinguishable both from the standardised or survey interview, which follows a fixed set of questions in a questionnaire manner as well as from the ‘directionless’ interview that flows more like a conversation in a ‘tell me about your life manner’. The term ‘semi structured’ is preferred here, because it distinguishes this type of interviewing from in depth interviews used in psychology, for example, as well as from structured interviews done strictly according to a questionnaire.

THE INTERVIEW AS A TOOL

Interviews as a means of gathering data about phenomena or people, be it in organisations or elsewhere, have been criticised for their appropriateness. Voices of criticism can be found in the ‘positivist stream’ of research, mainly concerning issues of validity, generalisation and such. (cf. e.g. Denzin and Lincoln, 1998) Criticism of interviewing as the main method for obtaining data within research can also be found among advocates of qualitative research methods. Interviewing has been seen as not being able to transmit
the experiences of the interviewee, give a trustworthy account of
the interviewee’s or, for example, a whole organisation’s beliefs,
values and such in a satisfactory manner. The value of an interview
in terms of saying anything reliable about the reality that it is sup-
posed to picture is questioned. (cf. Alvesson, 1999) Underlying
this criticism seems to be the idea that there actually is a social
‘reality’ out there that can be described, studied and analysed in
such a fashion that it is ‘truthful’, obtainable by gathering ‘objec-
tive facts’ of some sort. (cf. Gummesson, 1991)

Within the research paradigm employed in this study, the
question of the sufficiency of interviewing becomes futile. When a
world view as a theoretical point of departure includes belief in
the existence of multiple, individual realities and belief that the
social sciences are there to examine these, then the concept of
one factual, truthful and eternal reality melts away. As Gustafsson
(1994) points out, speculation on whether or not ‘a truth’ exists is
not really interesting in the first place within the social sciences.
Rather, he prefers the examination of individual’s experiences of
truth, as this provides a road to the researcher’s own, individual
‘experience of truth’. As discussed in chapter I, seeking under-
standing is what propels science (and the human being) forward,
the goal being the ‘aha experience’ of reaching understanding.

The usefulness of interviews as a means of gathering data
could also depend on what is being studied. ‘Shadowing’ is prob-
ably a suitable method for gathering data on how and for what a
leader uses her or his time. Participant observation, again, could
be most appropriate for exploring how a construction project is
executed, what its different stages and difficulties are. Non par-
ticipant observations, on the other hand, could be suitable for
following the developments of and interactions within a meeting.
To find out how people experience a certain occurrence or occur-
rences, perhaps interviewing the people provides the best possible
method for doing so. Here we are (again) presented with the ques-
tion of whether the expression of a thought had anything to do
with ‘reality’, or with the organisation studied and whether or not it was important to what was ‘actually’ going on in the organisation. In the end, it always seems to be a question of choosing the most appropriate tool and being aware of its advantages and its limitations, as there are no perfect methods. (Alvesson, 1999)

All methods for data collection give rise to both advantages and disadvantages.
(Gummesson, 1991, p. 109)

An interview is argued to mediate knowledge, experiences, opinions, attitudes, values and the like from an interviewee, i.e. a part of an interviewee’s consciousness, to an audience via an interviewer. (Jacobsen, 1993) The aim of interviewing could be considered to be to capture the interviewee’s point of view and the possibility of getting novel information, perspectives and ideas. (c.f Alvesson, 1999)

...the qualitative researcher seeks to elicit what is important to individuals as well as their interpretations of the environments in which they work through in depth investigations of individuals and their milieux. (Bryman, 1989, p. 25)

Jacobsen (1993) argues that the semi structured interview has the following advantages; it is suitable for including many respondents, provides a certain comparability between interviews and it makes it possible for new and unexpected aspects to come up during the interview. These strengths of the semi structured interview are appealing because, for the overall purpose of this study, the ability to make discoveries and compare interviews was important.

The disadvantage of the semi structured interview is considered to be the difficulty of quantifying results in that the interview data cannot be pinned down to a certain fixed or predetermined size. It thus provides qualitative data. (Jacobsen, idem)
In light of the paradigmatic point of departure employed in this study and the concept of ‘the whole’ being presented in all its parts, this ‘disadvantage’ does not seem significant. The quantification of the data would serve no purpose in this study, since the qualitative nature of the data is desirable in this context. (cf. chapter I)

Alvesson (1999) points to several aspects of the interview within organisational research that the researcher should be aware of when conducting interviews and analysing interview material. Among them would be the context of the interview: the location, the set of questions, the demographic features of the interviewer and the like. The interviewee might also be guided by what s/he thinks the interviewer wants to hear, by positioning her- or himself as an ‘interviewee’ (as a specific role), by specific interests and power, or by wanting to present her- or himself and/or the organisation s/he works for in a certain way. In addition, there are established cultural resources, or ‘scripts’ that are at work in interview settings (to make it work socially in the first place), regarding the roles of the people involved and maintaining some order and rationality. Also, the discourse as such can be considered to have ‘power over the individual’, i.e. being a force that guides the individuals in an interview setting more than either one of the individuals. These influences on interviewees cannot easily be avoided, if at all. (Alvesson, 1999) Awareness and appreciation of these aspects, these ‘multiple layers of meaning’, are considered to be of importance; as with all limitations and advantages, ‘careful, on going reflection’ by the researcher is required. As Alvesson (idem) points out, the influences discussed above do not necessarily dominate an interview setting after all. In addition, interviews have (at least) a certain local validity. In this study, the ‘local’ is the important ‘result’ as it serves the description of the cases.

To give some space in research for knowledgeable subjects to say something that is well-informed and insightful about their experiences and social practices and see these statements as potentially
informative about these phenomena (and not just talk about them) seems to be reasonable.
(Alvesson, 1999, p. 19)

‘Local knowledge’, i.e. knowledge about an organisation and how to ‘best work in it’ is, however, not considered to be confined to the thinking apparatus of an organisational member. Rather, it is considered to be articulated also in the actions of organisational members, as well as in existing rules and routines regarding how the business should be conducted. (Löwstedt, 1995b) Classifying ‘talk’ also as action could make it an account of ‘local knowledge’. Additionally, rules and routines can be put into words. In a merger setting, this can be done comparatively between companies. In the case mergers of this study, this was done, as the comparison between the perceived different ways of working seemed to cause bewilderment and even frustration amongst organisational members of the merging companies.

Another central issue within especially qualitatively oriented social sciences is the impact of a researcher on her or his data. (Bryman, 1992) It includes aspects of the scope of the impact, the nature of the impact and whether or not such an impact distorts the data collected, i.e. the ‘power’ of the researcher. (see e.g. Fine, 1998) According to Jacobsen (1993) the interviewee is always influenced by an interviewer, to the degree that different interviewers would get different interviews even with the same theme, and this allows for creativity on the interviewee’s side. Kvale (1997) also stresses that the interviewees’ statements are not ‘gathered’, but created together with the interviewer. The interviewer thus has a great deal of influence on the nature and the course of the interview. In this sense the interview as a product is a social construction in itself. Thus the interviewer’s role and impact cannot be denied and should not be forgotten. (idem) According to my own experiences, the impact of a researcher (or any other kind of interviewer, for that matter) can be experienced through her or his possibility to help the interviewee feel relaxed in the interview
setting and create an unthreatening and ‘open’ atmosphere for the interview to commence in. (cf. Alvesson, 1999) After having gained physical access, a researcher is faced with the challenge of also gaining ‘mental access’: how to get people to describe what, in their opinion, is happening in the studied setting. (Gummesson, 1991) This would require a positive, ‘relaxing’ impact of the interviewer on her or his interviewee. Gustafsson (1994) argues that a skilful interviewer has something of a psychiatrist in her or himself. The impact of a psychiatrist on her or his patient’s healing process does not seem to be questioned by and large, either. Instead, it often seems to be pointed out that the two people meeting in this sort of context should ‘match’ for the whole relation to work and be beneficial to the patient.

As this study is representative of the interpretive, relativistic and ‘constructionistic’ schools of research, the researcher’s impact on the studied subject is a given factor. Measuring always involves influencing the measured. Within qualitative research, the researcher is the research instrument (Punch, 1998, Strauss and Corbin, 1998) and the sensitive insights of a researcher are considered to be the ‘root source’ of theorising. (Glaser and Strauss, 1967) It cannot be denied that the interviewer has an impact on the interview situation and on the interviewee and that this is unavoidable. People have some sort of impact on other people, generally, if they get close enough to engage in a conversation, sometimes not even that is necessary. Even shadowing or other ‘more invisible’ forms of gathering data involve some impact, because the researcher cannot become invisible or unnoticed. In participant observation the researcher, though not necessarily known as a researcher to colleagues and peers, makes an impact as a private person. ‘Impactless’ research in organisations (unless one studies only company publications or other non living material) would probably only be possible, were a researcher able to change shape and become a fly. And even then s/he would have to restrain from all those annoying things flies are capable of doing: buzzing,
flying too close to people (and especially body openings in and around people’s faces), sitting on ‘important’ things like food or other things falling into the category of special care and protection by people, because these things might influence the ‘subject’. The ‘subject’ could lose concentration, forget what s/he was saying, start to think of something else. A fly could even provoke feelings that might not have surfaced had the fly not been there, such as anger or irritation.

Could a researcher, then, who comes to ask ‘strange’ questions actually be able to inspire people to talk of things they do not usually talk about, had the researcher not been there and asked the question? Nevertheless, there is a problem with questions concerning how an interviewee experiences cause and effect and explains these in terms of the norms, values and ideologies s/he thinks lie behind these, i.e. how s/he believes her or his reality to be connected. The thought, opinion or ‘hypostudy’ can be created in the moment and the interviewer cannot be sure about how deep a value the statement has in the interviewee’s life. It can, for example, be difficult to admit to lack of knowledge. (Jacobsen, 1993) What the interviewer can find, however, especially in the case of an interviewee’s experience, is what the interviewee notices, pays attention to, what kind of metaphors s/he uses and the like. This can give the interviewer a certain understanding about how the interviewee structures her or his world and what s/he sees as important. (idem) If the expectations and experiences of people are the focus of attention, this could be considered beneficial, because it could point to the expectations and experiences particularly important for an individual.

According to Kvale (1997) the role of the interviewer’s impact in an interview situation, especially in terms of so called ‘leading questions’, has been overemphasised. In his opinion this has led to a neglect of examining the impact of analytical questions posed to the interview material in a textual form, as a question can say a lot about the researcher. (idem)
Naturally, one has to bear in mind regarding interview data that people tend to emphasise some aspects over others, depending on what is being discussed. Individuals tend to present their own situation positively, for example. (Watson, 1994) As Löwstedt (1995a) points out, people seem to overemphasise external actors, occurrences or circumstances when talking about negative change(s). Discussing positive change(s), in turn, seems to lead to an overemphasis on the interviewee’s role, if s/he has been a part of creating the change. (idem) Thus the awareness of this emphasis inclination seems particularly important when a subject such as a merger is being discussed in an interview setting, as it is a change and evidently a complex and extensive one.

Hellgren and Löwstedt (1997) point out that interest in organisational members’ conceptions and ways of thinking has increased within research and practice during the last decade. According to Hellgren and Löwstedt this interest provides a means to better understand fundamental phenomena in organisations. When applying a cognitive perspective, conceptions and thought structures are vital for understanding organisational occurrences. Organisations and actions (within organisations) thus become meaningful when they are interpreted, categorised or related to some thought structure. (idem)

DATA PROCESSING

There are no standard methods for the analysis of text in the way there is in statistics with its different but well established techniques. (cf. Kvale, 1997) Eisenhardt (1989) points out that the gap between data presented in a case study and the conclusions originates from an insufficient discussion of the analysis of the data. Research with a qualitative, explorative and interpretive approach and specifically case studies within this research para-
digm are therefore dependent on the description of the process of analysis, as far and as thoroughly as this is possible.

The data gathering process can never be described in its totality because these “tales of the field” are themselves part of an ongoing social process that in its minute by minute and day to day experience defines recapitulation. (Vidich and Lyman, 1998, p. 42)

Further below, the process of analysis will be accounted for, so that the results of this study can be understood in this light. First, however, we shall make a short detour into the technological side of the analysis.

TECHNOLOGICAL AIDS AND TOOLS

The analysis of the interview material has been conducted with the help of QSR NUD*IST (Qualitative Solutions and Research; Non-numerical Unstructured Data Indexing, Searching and Theorizing). It is computer software that is designed to help handling ‘rich, complex and messy’ data, i.e. qualitative data. (Richards and Richards, 1994) It provides a tool for managing documents, creating ideas, managing categories and asking questions as well as building and testing theories about the data analysed. It supports a flexible index system, which can be built, explored and changed as the research project develops. Every index system is created by the user(s) specifically for an individual research project and should represent the researcher’s understanding of his or her data. (see QSR NUD*IST 4 User Guide) This software should thus be seen as a vehicle for the voyage of discovery a researcher is embarking on, a dynamic aid in the process of structuring and interpreting data.

However, a tool like this poses limitations, and as is the case with limitations of any sort, awareness of them is helpful, as the danger of this kind of a technology seems to lie in illusions of its unlimited capacity. The realisation may dawn quickly
upon a researcher that the computerised lightness of being is not perfect. This is not only due to the technological limitations and frustrations from the tool, but also due to the realisation that ‘the machine’ really will not start to think for you. Instead, you will still have to think yourself. Like all other tools, it is user dependent, so it will reflect your substance and your way of thinking. Additionally, these kinds of computer programs seem to create a danger in their ability to make it possible to work with large quantities of qualitative data. This might foster the illusion that this sort of data can be quantified. This again can lead to one-sided classification eagerness based too heavily on stereotypes.

You cannot write about what the data you gathered don’t tell you about, or your method of storing them doesn’t let you use them for.
(Becker, 1986, p. 17)

Another danger in the use of computer aids within research seems to lie in the belief that the transcriptions (interview data or other) could be objectified and that isolated variables could be abstracted from the original, human context. Empathy towards what is said could thus be lost. Ultimately, the responsibility for the interpretation of the data lies with the researcher in spite of any tool s/he uses. (Kvale, 1997)

The positive side of a research tool of this sort is that it makes it easier to handle large quantities of qualitative data like interviews, for examples. And this is what it was designed for, of course. As Eden and Huxham (1996) point out, employing computer software to aid with the storing, handling and analysis of qualitative data provides a powerful method for ‘playing’ with the structure and content of the data. The ‘playing’ conducted by the researcher can be recorded and saved in the software used (idem), possibly making the description of how analysis proceeded and theory emerged easier to access. Additionally it gives the data the opportunity of an elongated life span; the data do not have to ‘die’
after the first interpretation, but can be easily accessed again even after a considerable amount of time.

DATA PROCESSING TECHNIQUE

The interviews analysed for this study were all transcribed, as it is necessary to do so in order to analyse them with the help of QSR NUD*IST. The transcription of the interview becomes a tool for the analysis as well and cannot be separated from QSR NUD*IST. This places certain quality demands on the transcriptions themselves. In this study, it was decided to have all interviews transcribed ‘word by word’, including pauses (indicated by three successive ‘dots’: …), pause and/or thought ‘noises’ like ‘eh’ or alike and spoken language, i.e. grammatical mistakes, ‘mistakes’ due to accent and such. This mode of interview transcription held the format of the interview as close as possible to the original interview setting and to the expressive mannerisms of the interviewee, even though aspects of body language and such remain completely dependent on memory and recollection of the actual interview setting. As a memory aid, the ‘word by word’ transcription style proved to be helpful during the later analysis in this particular respect.

Research assistants employed for this study did the interview transcriptions analysed in this study. I have nevertheless corrected all 69 transcriptions analysed with the help of QSR NUD*IST ‘auditorily’. This means I have listened to them from beginning to end, simultaneously correcting the transcribed text when and where necessary. This proved to be faster than doing the actual transcriptions just by myself. This process nevertheless transplanted me back to the actual time of the interview in a valuable aide-mémoire manner, just like the transcription itself would have done.

The data processing technique employed in this study requires the mention of another dimension in the progress of this
study. As mentioned above, involvement in this study brought with it my membership in the Research Group for Project-Based Industry (PBI), as this study is part of PBI’s research programme. Thus I had several colleagues who were studying different aspects of this study’s case company and its business, though none of them studied mergers or merger related aspects as such. Monthly meetings, seminars on differing topics, not to forget the informal ‘coffee room’ discussions provided supplementary knowledge on the case company as well as fresh views regarding this particular study, which should be mentioned. This exemplifies the advantage of what Eisenhardt (1989) calls ‘multiple research teams’; research teams assigned to other areas of study do not get absorbed in the details of another research area. Thus they can, if not stay more objective, then at least come with different viewpoints on the material. (cf. Eisenhardt, idem)

It is by no means necessary to use QSR NUD*IST or any other software for the analysis of interview (or other) qualitative data. In this study, it has solely been a tool substituting the copy machine, coloured pens and any other manual labelling and filing tools. Evidently, it has saved time. Certainly, it saved a lot of physical space.

THE PATH OF ANALYSIS

In this section, the process of data analysis will be described. It is like a travel log, describing how analysis and the research questions of this study developed during the travels through empirical data. As the analysis of research any material should follow the aim of the research in order to produce relevant results, (cf. e.g. Kvale, 1997) the description of this process is important. Before plunging into this (part of the) story, the concept of categorisation is discussed briefly, as analysis in this study involved categorisation and its use as a methodological tool needs to be justified.
Generally, to analyse something means to dissect that something into parts or elements. (cf. Kvale, 1997) It seems to be a methodological convenience to do so. Nevertheless, according to Gustafsson (1994), the classification (or categorisation; ‘category’ is the word preferred here, as it does seem to imply less of a valuation of different ‘classes’) of phenomena is one of the basic prerequisites of thinking per se, and seems to be one of the principal functions of science. Categories create meanings and are thus a way to understand something. To be able to distinguish, compare and group any aspects of what people said in interviews, it proved necessary to categorise interviews in this study. This way, for example the tension between what ‘is’ (what is experienced) and what ‘should be’ could be discovered.

…the viewing of segments from many documents on one topic or selected topics always offers a new way of seeing data. This is the major claim of the method to support analysis, and researchers using it clearly engage in the building up of theories. (Richards and Richards, 1994, p. 447)

Being submerged in one’s data and premature in concluding the significance of one’s findings is argued to be a danger of categorisation, however. A quick jumping to conclusions and bias generally is argued to be avoidable when it is used in conjunction with comparisons between cases. (Eisenhardt, 1989) When examining something as individual as people’s experiences, the benefits of comparisons could evidently be used to compare individual’s accounts as well as statements coming from respondents from different units within ‘one’ organisation. This could diminish the danger of jumping to conclusions too hastily. However, the nature of the concept of ‘jumping to conclusions’ would perhaps be beneficial in this context.

In this study, interviews were usually begun with a detailed description of the research project, including who the initiators of it where and the purpose of the study. After that, interviewees
would be asked if they had any questions regarding the study or the interview. This had the aim of providing the respective interviewee with an understanding of the nature and topic of the interview. This thorough description in the beginning evidently had two effects. First, it took the tension out of the interview atmosphere considerably most of the time, possibly because it gave the interviewee more security as to what the interview was about and who stood behind it. Secondly, if this description did not decrease the interviewees’ inclination to talk about what s/he thought was desirable or favourable, (cf. Alvesson, 1999), then at least it hopefully increased the coherence of the interviewees’ ideas about the study somewhat, thus possibly increasing comparability. After this introduction, the interview would commence with demographic questions concerning the interviewee. After that the interview was steered only insofar as to include certain important topics. These were, generally speaking, the interviewee’s experience of the merger and the merger process and her or his role in it, what they felt had been surprising, difficult and satisfactory. Subjective definitions and aspects of merger success were another of the broad topics in the interviews, as was integration and communication.

A human being is a wonderful creature. In interviews, interviewees were left to reflect on the merger(s) they were part of. They were asked, for example, if anything had surprised them with regard to the merger. A human being is actually capable of exclaiming that there were no surprises, and then go on for half an hour about what they had been surprised by, what had been unexpected to them. (cf. Risberg, 1999)

Due to the timing of the interviews, both mergers tended to be discussed to some degree in some of the interviews.
During data collection for the first merger, the aim was to get a comprehensive picture of the merger and its post-merger integration process. Also, problematic aspects related to the merger and its integration process as perceived and experienced by interviewees were focused on, in order to gain an understanding of this kind of change process. The interview aide-mémoire list employed, apart from interviewee demographics, included items such as description of the merger process, milestone, conflict, surprise, facilitating action, corporate and national culture, just to mention the most central ones. The list grew longer as more people were interviewed and perceptions and experiences were cross checked, and came to include specifics of the perceived and experienced problem areas people mentioned. After an intensive data collection period of no more than 2 months, 32 interviews had been conducted. Coding and analysis could start.

When the first round of analysis of these 32 interviews was finished, the ‘index tree’ in QSR NUD*IST ended up including statements in the following categories:

- interviewee demographics
- occurrences by year between 1989 and 1997
- historical aspects of the companies prior to the merger
- merger negotiations
- the merger process (description, surprises, insufficiencies, frustrations with it etc.)
- milestones of the merger and post-merger integration process
- merger outcome (as evaluated by interviewees)
- image of the companies before and after the merger
- aspects related to the company namechange(s)
- aspects of ownership (state of knowledge, feelings about it)
- the integration process (impact, difficulties)
This could seem like a very extensive list at first glance. One should bear in mind, however, that parts of any interview can appear in several categories, i.e. at several places and most often also do. A description of a milestone, for example, can simultaneously include an exclamation of frustration and some kind of technical description of a product. The analysis of interviews commenced by going through them and coding every section according to any number of 'categories'. This is the beauty of computer aided coding; one can code effortlessly and solely concentrate on interpretation, i.e. concentrate on the question “what is this person talking about here?” (and, answering it, discovering: “this and this and this...”). If a specific category did not exist but had to be ‘invented’ in the course of coding, it was created during analysis. In this study this was the case particularly at the beginning of coding. Only a very limited number of ‘nodes’, i.e. categories lying in the area of interviewee demographics were created prior to coding.

The next step was to examine what was actually in the different categories that had emerged during coding. Discovering that a certain category was almost empty, whereas another one was extensively filled with statements from the majority of the interviews, gave an indication as to the significance of the categories. It should be mentioned, however, that an ‘empty’ category, i.e. a
category thought to be important which then remained without or with very little data can also be seen as data in itself. Why this specific aspect should remain untouched evidently poses an interesting and possibly fruitful line of thought. After coding, however, the material could be examined in terms of ‘cross reference’, for example, because of ‘overlapping coding’. What had people said that was coded both as frustrating and as an aspect of ownership? Or integration? Also, comparisons between statement-clusters of different units, for example, or on the Dutch and Finnish ‘sides’ of the involved units were easily accessible. The possibilities are endless once the material is ‘in the machine’. The point is, that now as a next step in analysis, focus could turn to the following important aspects, which emerged from examination of the coding:

1. the composition of a chronological picture of the merger as a process in time with its major occurrences and milestones
2. the major aspects of the merger experienced as problematic by interviewees and their possible explanations as far as given by respondents
3. the industry-specific, historical and cultural characteristics of Wärtsilä Diesel and Stork-Werkspoor Diesel

In addition to having emerged with a story of this particular merger, an impression of the nature of the organisation was obtained as well. Furthermore, an understanding of the make up of the merger’s problem areas developed. The findings of this analysis are given below in chapter V. What was most surprising about the material, apart from a few, what to an outsider might appear astoundingly horrific, ‘problem areas’ of the post-merger integration process in this merger, was the frustration displayed by many of the interviewees on how ‘badly’ the post-merger integration process had proceeded and how unsatisfactory the state of
integration still was. This, almost 9 years after the merger! Even though the frustration seemed to originate in very different areas – management, organisational learning, peer behaviour, product portfolio or investment decisions – there seemed to be one general undercurrent: what people had expected, hoped for, had evidently not materialised. These findings posed a very different ‘beginning’ for the gathering of data in the merger between Wärtsilä Diesel and New Sulzer Diesel.

**WÄRTSILÄ DIESEL – NEW SULZER DIESEL**

The *aide-mémoire* list used in interviews for the second merger included roughly the same items as the one for the first studied merger at the beginning of data collection. Due to the difference in the point in time (retrospective versus contemporaneous), however, and because of the influence of the findings from the earlier merger, adjustments were made. For one, current occurrences and *status quo* had to be stressed more extensively than during data collection for the first merger. Secondly, the focus turned more on ‘how people would have liked the merger and its process to look and be managed’. Thirdly, the concept of merger success and its characteristics was emphasised increasingly. This proved to be a valuable approach in order to gain access to the expectations toward the merger and post-merger integration that became more and more the focus of interest in this study.

The ‘index tree’ within QSR NUD*IST for the second merger came to include the following broad categories:

1. interviewee demographics
2. interviewee units
3. the merger
4. problems within the merger
5. effects of the merger
Interviewee demographics included the interviewee’s background, education, job description and role in the merger. In the interviewee units, the entire interviews were coded according to what unit the respondent was working in, i.e. in one of the units in Finland, Switzerland, France, the Netherlands, at head office, with the parent company, or in the network (and which specific Network Company\(^{13}\)). This proved to be useful when later searching for the differences in specific aspects between units, after having completed coding. (One can ‘ask’ QSR NUD*IST to ‘give you everything’ that people from Switzerland have evaluated as frustrating, for example by ‘crossing’ the nodes for ‘Switzerland’ and ‘frustration’. This increases coding efficiency, as one does not have to make these kinds of ‘mechanical’ distinctions when coding.)

The broad category of ‘merger’ was extensive, as it included aspects of time (history, present, future as well as integration estimates by interviewees) and possible milestones. Additionally, the reasons and justifications for the merger were placed in this category, as well as the attitude towards the merger in general. It also included ‘definitions’ of integration, synergy and merger success. The difficulties experienced, disappointments, surprises, challenges and expectations connected with the merger were also placed in this category. The category for ‘problems within merger’ contained the main problem areas, like ‘business philosophy’, ‘internal competition’, ‘terminology’ and ‘communication’, which will be examined in detail below in chapter VI.

In the category of ‘effects of the merger’, a distinction between ‘social’ and ‘mental’ effects was made, which later turned out to be somewhat useless, as they tended to be intertwined and proved hard to distinguish. These are the kinds of things that one finds out after coding, when examination and theorising starts.
However, even statements that expressed the effects of the merger on the group as a whole and the individual units separately, the effects on the identity of the company and the reactions of customers to the merger were placed in this broad category. ‘Facilitating actions’, again, comprised description of training, job rotation, restructuring, task forces, but also the information and decisions on these kinds of actions by and large.

The category ‘organisation’ contained issues concerning the nationality of the company after the merger, the organisational structure and the challenges faced by the organisation as a whole considering the future outlook. The ‘culture’ category included aspects of the different units and their organisational culture as well as aspects of national culture.

All these categories are, within the limits of interpretation, representative of what the respondents talked about in the interviews. In both cases, categories included the two types identified by Glaser and Strauss (1967): categories constructed by the researcher, and categories abstracted from the language of the research situation, i.e. the interview. After coding was completed, all categories proved not to be useful for analysis, as already pointed out on the aspects of ‘effects of the merger’. This is perhaps one of the ‘downsides’ of explorative research − one explores all kinds of things and it can easily seem as if there is a lot of additional or unnecessary work. On the other hand, discovery can sometimes include some ‘extra miles’ and detours.

What seemed astonishing about the material on the merger between Wärtsilä Diesel and New Sulzer Diesel were the ‘problem areas’, because not only were they surprising to me, but also seemed to have taken organisational members by surprise. Another surprising ‘discovery’ was the lack of ‘organisational learning’, i.e. lack of implemented previous merger related ‘lessons learned’ that respondents from the acquirer’s side seemed to experience, but could not explain. All these discoveries led further down the path in examining what people had expected and what it
was they were in the end experiencing. Now, however, is the time to plunge into the actual cases.

There was a general difference detectable when comparing the interview data of the two case mergers. The interviewees interviewed on the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel seemed to have a clearer picture of the problem areas of the merger they had been part of. Also, there seemed to be more coherence between accounts. This could be explained by the temporal distance from the merger, as the interviews were conducted over eight years after the merger. Also, this merger was smaller in size and in terms of involved companies and units than the merger between Wärtsilä Diesel and New Sulzer Diesel. ‘Retrospective interviewee conceptions’ may also have played a role.

The process of moving from individual to collective accounts of expectations and experiences involved ‘saturation’, as in the case of interview selection of the second case described above. When no data were found any more to add to the properties of a category (i.e. a specific experience etc.), confidence in its saturation and its collective ‘representativeness’ was created. (cf. Glaser and Strauss, 1967)
This chapter provides a description of the general and acquisition histories of the case company to the present day. Also, its organisational structure and its evolution are portrayed. After that, some general features of the business it is in are described. This is necessary, because it provides essential background information for the analysis of the two case mergers later on.

The case company of this study was Wärtsilä NSD Corporation. Past tense is necessary here, because at the time of this study, the company was called Wärtsilä NSD Corporation. As of 2000, Wärtsilä NSD Corporation is called Wärtsilä Corporation. A manufacturer of diesel engines for marine and power plant applications, Wärtsilä NSD Corporation was formed in April 1997 by the merger of Wärtsilä Diesel, New Sulzer Diesel, Diesel Ricerche and Grandi Motori Trieste (GMT). The company formerly known as Metra Corporation used to own Wärtsilä NSD Corporation. Today, Metra Corporation is known as Wärtsilä Corporation after its name change and reorganisation in 2000, when Wärtsilä NSD Corporation was incorporated into Wärtsilä Corporation as its core business, the Power Divisions. Quoting the corporation’s annual report of 2000, Wärtsilä Corporation describes itself today as;

…the leading global ship power supplier and a major provider of solutions for decentralized power generation and of supporting services. In addition Wärtsilä operates a Nordic steel company and manages substantial share holdings to support the development of its core business.

Below, the case company will be referred to as Wärtsilä, meaning the Power Divisions of Wärtsilä Corporation as it is today and historically seen the part of the company that has been and is in the diesel engine business.
Wärtsilä has manufacturing units in Finland, Italy, France, the Netherlands and Norway and has assembly units in the US, Spain, Japan and India. The company operates globally through the presence of its own subsidiaries, i.e. Network Companies, at present in some 50 countries. In 1999 its net sales were 1,896 MEUR and its average personnel for the whole year was 8472. In the year 2000 net sales were 2,287 MEUR and the number of employees climbed to over 9,000. The table below provides a five year overview of some of the key figures of the company.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>2,287.8</td>
<td>1,896.6</td>
<td>1,834.6</td>
<td>1,898.5</td>
<td>1,348.2</td>
</tr>
<tr>
<td>% ex. Finland</td>
<td>97.7%</td>
<td>96.4%</td>
<td>97.2%</td>
<td>96.3%</td>
<td>98.1%</td>
</tr>
<tr>
<td>Operating</td>
<td>Profit/Loss</td>
<td>82.6</td>
<td>-28.5</td>
<td>-108.3</td>
<td>-16.9</td>
</tr>
<tr>
<td>ROI</td>
<td>12%</td>
<td>0%</td>
<td>-12%</td>
<td>-1%</td>
<td>11%</td>
</tr>
<tr>
<td>Personnel,</td>
<td>end of period</td>
<td>9,255</td>
<td>8,742</td>
<td>7,854</td>
<td>7,461</td>
</tr>
<tr>
<td>- of which outside of Finland</td>
<td>6,812</td>
<td>6,343</td>
<td>5,324</td>
<td>5,023</td>
<td>4,322</td>
</tr>
</tbody>
</table>

Table 1: Five years in figures, Wärtsilä (Power Divisions)
(source: Annual Report 2000)

**HISTORY**

**WÄRTSILÄ NSD CORPORATION** has grown to its present size through changing times, hard work and a number of mergers and acquisitions over the years. Its now fossilised roots lie in a village in former Eastern Finland, since World War II part of Russia, where a small metal workshop was started in 1834. Over the years it grew in size and number of activities and spread over different locations.
within Finland. It acquired and incorporated, among others, shipyards in Helsinki and in Turku and in 1936 a metal workshop in Vaasa, which at the time had gone bankrupt.

The first diesel engines were produced on licence at the shipyard in Turku just before World War II. After the war the importance and relative size of the shipyards compared to the rest of the activities within the corporation grew substantially. The shipyards employed 37% of all personnel (excluding administrative staff) in 1937, compared to 52% in 1952. The share of invoicing grew from 35% to 54% in the same years.

The corporation’s survival and growth have been to a large extent attributed to the managing director in charge of the company between the years 1926 – 1961 (and chairman of the board of directors until his death in 1969), Wilhelm Wahlforss. He started licence negotiations with the Swiss company Sulzer Brothers for their larger diesel engines\textsuperscript{14} in 1954. Smaller engines have been produced under licence from the Swedish engine manufacturer Nohab since 1951, a subsidiary within the Bofors Corporation at the time. The director of the Vaasa metal workshop suggested to the managing director in the middle of the 1950’s that Wärtsilä construct its own diesel engine. In the autumn of 1957 the prototype of the engine type Wärtsilä Vasa 14 was exhibited at a fair in Helsinki and sales began. From the beginning sales were handled by the Vaasa factory itself. By the end of the 1960’s the Vaasa metal workshop produced only its own products. The diesel engine factory of the shipyard in Turku still produced under licence at that time, manufacturing around 10 engines annually of both Pielstick and Sulzer engines throughout the 1970’s.

In the annual report for 1971 the organisation of Oy Wärtsilä Ab (the name of the corporation from 1965 until 1991) was made public for the first time. The different shipyards, metal workshops and other units that had until then always been presented as separate units, were now bundled into their own groups\textsuperscript{15}. Each group had its own managing director. Further
reorganisations took place in 1976 and 1979. During a reform of the line organisation the diesel group was created in 1979. All the groups functioned independently with full responsibility for their business. The production of diesel engines in Turku was separated from the Turku shipyards in 1984 and taken into the diesel division. By that time the production of medium speed diesel engines was well established at the Vaasa factory. The production unit in Vaasa had been the first factory in Finland to introduce computers for programming tool machinery. The construction department and diesel laboratory, i.e. research and development, grew to be the most important asset of the Vaasa factory during the 1970’s.

In the 1970’s Oy Wärtsilä Ab had four main divisions: shipyards, diesel engines (i.e. Wärtsilä Diesel), sanitary porcelain, and locks and access control. Oy Wärtsilä Ab’s first acquisition and thus the beginning of internationalisation in the world of the diesel engines took place in 1979, when the majority of the former licensor Nohab Diesel AB in Trollhättan, Sweden, was purchased. It had become a joint owner a year before. This acquisition gave Oy Wärtsilä Ab its first production facility abroad. The first representative office in Asia had been opened in 1978 in Singapore. Soon after that a sales and service company was established there, setting a beginning for numerous network companies to be founded thereafter. In 1980 Wärtsilä Diesel employed some 1340 people, its net sales were about 0.5 BFIM.

GROWTH THROUGH MERGERS AND ACQUISITIONS

In 1984 Wärtsilä Diesel acquired the remaining shares of Nohab and became its sole owner. In 1985 Normed was founded in France in co-operation with Normed shipyards for the production of Vaasa diesel engines. In 1987 Wärtsilä Diesel acquired Normed’s share and the company became Wärtsilä Diesel France S.A. In 1986/1987 the diesel engine and propulsion operations
of A/S Wichmann Diesel in Norway were taken over, forming Wärtsilä Wichmann A/S. Also in 1987 Moteurs Duvant Crepelle S.A. in France was bought. In 1988 the Dutch diesel engine manufacturer Bolnes Motorenfabrik was acquired. By the end of the 1980’s Wärtsilä Diesel did not only have its own Network Company in India, but had also built an assembly plant there.

In June 1989 the company SACM Diesel S.A. was established in France, with the French corporation ALSPI as a partner. Wärtsilä Diesel’s ownership came to be 42%, worth 67 MFIM, with full managerial responsibility for SACM’s business. Moteurs Duvant Crepelle S.A., in which Wärtsilä Diesel earlier held a majority of stock, and Wärtsilä Diesel France S.A. were both incorporated into SACM. At the time of the merger SACM had a turnover of 620 MFIM and some 1,600 employees. The corresponding figures for Wärtsilä Diesel for that year were a 1,650 MFIM turnover and some 2,500 employees. This merger added high-speed diesel engines to Wärtsilä Diesel’s product portfolio. Previously, it had consisted of medium speed, i.e. 4-stroke engines.

Later the same year, in December to be exact, Wärtsilä Diesel bought 60% of the Dutch medium-speed diesel engine producer Stork-Werkspoor Diesel. The acquisition, worth 95 MFIM, incorporated the main market areas of Stork-Werkspoor Diesel – Western Europe, Southeast Asia and the US – into the company. At the time of the merger Stork-Werkspoor Diesel employed some 850 people; the number of employees with Wärtsilä Diesel was, as mentioned above, about 2,500. Stork-Werkspoor Diesel had a turnover of 420 MFIM in 1989, Wärtsilä Diesel’s turn over was 1,650 MFIM in the same year. The merger led to a change of name for the Dutch company, becoming Stork-Wärtsilä Diesel B.V., until the merger with New Sulzer Diesel in 1997, after which the Dutch unit became Wärtsilä NSD Netherlands B.V. Wärtsilä NSD Corporation bought the remaining 40% of Stork-
Wärtsilä Diesel in 1999 and thus became its sole owner. This particular merger will be examined in more detail below.

WÄRTSILÄ DIESEL

At the beginning of 1990 Wärtsilä Diesel, the diesel division of Oy Wärtsilä Ab, was transformed into a limited company and began to function as a separate sub-group of Oy Wärtsilä Ab, the sole owner of Oy Wärtsilä Diesel International Ltd. The factories in Turku and Vaasa were amalgamated and became Oy Wärtsilä Diesel Ab, a subsidiary among other subsidiaries of Oy Wärtsilä Diesel International Ltd. In 1991 Oy Wärtsilä Ab merged with the Finish corporation Oy Lohja Ab, operating in the construction industry and became Metra Corporation, still sole owner of Wärtsilä Diesel. By that time the former Oy Wärtsilä Ab, now Metra, was no longer in shipbuilding. The shipyards, i.e. marine division of Oy Wärtsilä Ab, had filed for bankruptcy in 1989 after evidently having suffered from increasing competition, partly due to differences in subsidies between countries. They had ended up being bought by Norwegian Kværner to become the shipyard Kværner MasaYards.

Wärtsilä Diesel bought the remaining 58% of SACM in 1995. The same year a joint venture company called Cummins Wärtsilä Engine Company was established to manufacture high speed diesel engines in co-operation with the US based Cummins Engines. This joint venture was discontinued in 1999.

Metra Corporation and Fincantieri Cantieri Navali Italiani S.p.A. agreed to merge Wärtsilä Diesel and the Swiss company New Sulzer Diesel in 1997. This led to the formation of Wärtsilä NSD Corporation. Metra’s ownership was 87.8% and worth 455 MFIM, Fincantieri’s 12.2%. Wärtsilä NSD Corporation was made up of the former Wärtsilä Diesel, the former New Sulzer Diesel and Diesel Ricerche. Also, Wärtsilä NSD Corporation acquired 40% of Grandi Motori Trieste, 60% of which remained
with Fincantieri for the time being. Since early 2000, Wärtsilä owns 100%. This merger will be examined in more detail further on.

In May 1999 Stork N.V. sold its remaining 40% of Wärtsilä NSD Nederland, formerly Stork Wärtsilä Diesel, to Wärtsilä. Ten years after the merger, Wärtsilä now owned its Dutch subsidiary entirely. Also this merger will be examined in more detail below. Figure 2 illustrates the growth of Wärtsilä since 1970.

![Figure 2: Growth of Wärtsilä Diesel since the 1970’s](source: Wärtsilä presentation material, 1999)

Above, a rough summary of the ‘external’ events and milestones in the history of Wärtsilä was given, leaving it at its 2000 size of some 9,400 employees and net sales of 2,287 MEUR mentioned above. Wärtsilä’s growth over the years is evidently the sum of many efforts, among them a number of foreign acquisitions.

The largest mergers Wärtsilä Diesel has been involved in, in terms of both company size and resources employed, are the mergers with SACM, Stork-Werkspoor Diesel and New Sulzer Diesel. The data analysed in this study were collected from two mergers: the 1989 merger with the Dutch company Stork-Werkspoor Diesel and New Sulzer Diesel.
spoor Diesel, and the 1997 merger with the Swiss company New Sulzer Diesel. Before moving on to describe these two mergers, the evolution of the organisational structure of the case company is portrayed. A short explanatory detour into the world of the diesel engines is also made, as they constitute important features of the case company, its context and the studied mergers.

**ORGANISATIONAL STRUCTURE**

An organisational structure can be viewed as a representation of the knowledge as to how a certain business should be conducted. (Löwstedt, 1995b) The organisation structure of Wärtsilä has undergone some changes during the course of this study. In order to provide a clear picture of these changes, the different organisation structures will be described in this section. Certain problem areas of the mergers examined are related to structural features or were diminished (first) by changes in structure; therefore a description of the organisational structure and its changes seems necessary. By no means is it the intention here to describe people's real actions with an organisational chart, as Löwstedt (1995a) points out often seems to be the case.

Starting from the 1980’s and until 1997, Wärtsilä grew to become an international player on the diesel market by acquiring other diesel engine producers. From 1990 until 1997 the company was called Wärtsilä Diesel, held a position in the Wärtsilä and later Metra family as a separate sub-corporation. Since the mid 1980’s, Wärtsilä Diesel was structured according to a business area matrix. The business areas were Marine, Power Plants, Service, Manufacturing and Technology. The Product Companies and the Network Companies\(^16\) formed the other axis of the matrix. At that time, there were 5 Product Companies (Finland, France, Holland, Sweden and Norway) and Network Companies in 41 countries.
After 1997, Wärtsilä Diesel became Wärtsilä NSD Corporation. The merger with New Sulzer Diesel brought with it a new product range (explained in more detail in the next section) and the licensing business with it. These were inserted into the earlier business area matrix. Figure 3 illustrates the matrix as shown in the company’s annual report of 1997.

<table>
<thead>
<tr>
<th>BUSINESS AREAS</th>
<th>FOCUSED PRODUCT COMPANIES IN EUROPE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marine</td>
<td>CH    FIN   NL   S    F    I</td>
</tr>
<tr>
<td>Power Plants</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>Assembly Factories</td>
</tr>
<tr>
<td></td>
<td>(France, India, Indonesia, Japan, Spain, US)</td>
</tr>
<tr>
<td>Technology</td>
<td>Licensees</td>
</tr>
<tr>
<td></td>
<td>(Belgium, Brazil, China, Croatia, Italy, Japan, Korea, Poland, Spain, Turkey, US)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Network Companies</td>
</tr>
<tr>
<td></td>
<td>(Sales and Service)</td>
</tr>
</tbody>
</table>

Figure 3: Organisation structure of Wärtsilä NSD Corporation 1997.
(source: Annual Report, 1997)

In 1998 there was a substantial change in how the group structure was presented in the corporation’s annual reports. For the first time the customers formed part of the picture. The business areas Marine, Power and Service now formed the direct interface with customers and were defined as the ‘main business drivers’. The business areas Technology and Manufacturing were positioned ‘behind’ the areas Marine, Power Plant and Service, in a location that could be defined as a ‘support position’ towards the
business areas with a direct customer interface. The business areas were given full profit and loss as well as balance sheet responsibility; this had formerly lain with the Product Companies or Focused Product Companies, as they had been called in 1997. The business areas conducted their day to day operations through the business units of the local Group Companies, i.e. the 7 Focused Product Companies and the Network Companies. Each business area had its own Business Area Board and was responsible for its resource planning and optimisation throughout the Group. The corporation was led by the Group Board of Management and chaired by the Group’s president and CEO.

The 1998 structure of Wärtsilä NSD Corporation seems to be in place for the Power Divisions of Wärtsilä in 2000. The annual report of the same year does not give a detailed picture of the Power Divisions and their organisation, as it concentrates on the whole Wärtsilä Corporation.

THE WORLD OF THE DIESEL ENGINE

The finesses of the diesel engine and its business context play a role in the studied mergers as it determined the initial relationship of the merging companies in terms of competition and market position. Also, the deviating business practices that played a role, especially in the merger between Wärtsilä Diesel and New Sulzer Diesel, were discovered.

However, mergers and post-merger integration are the focus of this study, and thus such a detailed account of the development of the diesel engine business is not given, as Jordan (1995) presented on the Swedish pump industry, for example. In his study, the aim is to examine international specialising as a phenomenon, which differs from the purpose of this study substantially. Here, instead, the focus is on one corporation and two of its
mergers. Issues related to the development of the industry it is part of will be taken up to the extent it is necessary and interesting to do so in the light of company history and merger reasons.

THE ENGINES

To a layman, the term diesel engine would probably bring to mind the kind used in cars and trucks. In the case of Wärtsilä and the business it is in, we are dealing with diesel engines of a considerably larger size. There are three different types of diesel engines; low-speed, medium speed and high speed engines. The ones used in trucks are always high speed engines. A description of the different kinds of engines and their use is provided below.

Low-speed diesel engines are large engines revolving at a speed of about 100 revolutions per minute (RPM), equalling 2 revolutions per second. Low-speed engines are always 2-stroke engines, and thus they are also generally called 2-stroke engines. ‘2-stroke’ means that they have only two main phases in the combustion process. Phase one consists of compression, ignition and combustion, phase two of the gas exchange. This means that with every single revolution of the engine combustion takes place in every cylinder of the engine. These engines are colossal in size, typically the diameter (bore) of a cylinder is 60 cm. The length of a stroke is typically 2 to even 3 metres. On average a low-speed (2-stroke) engine weighs around 1000 tons; a very large one can weigh even around 2000 tons. The typical power output of a low-speed engine is 10-60 megawatt (MW) per engine.

The low-speed engine is used mainly within ship propulsion, although there are a few cases in which it has also been used in power plants. The 4-stroke engine seems to outperform the 2-stroke engine in this segment worldwide, however. The reasons for this will not be examined here, because it would become too technical and exceed my knowledge. They seem to lie in the area of lower costs, comparatively easier transport and installation as
well as a better life cycle economy. The important fact is that 4-
stroke engines are apparently preferred to 2-stroke engines for use
in power plants all around the world. Low-speed engines, again,
are preferred for ship propulsion because of their efficient fuel
economy, comparatively simple maintenance and because their
speed matches propulsion. Additionally, since technological devel-
opments in the 1930’s by Sulzer, gears, i.e. a gearbox, between the
engine and the propeller, was superfluous. Even for a vessel to go
backwards, the engine merely needed to be run backwards; the
propeller would revolve backwards as well. Being able to run ship
propulsion without gears makes economical sense to shipowners
both in terms of purchase and maintenance. The use of medium-
speed engines in ship propulsion again requires a gearbox.

Medium-speed engines revolve at a speed between 400 to
1000 RPM and nowadays they are all 4-stroke engines. Therefore,
they are also generally called 4-stroke engines. There have been
2-stroke engines within this speed range, but they have proved not
to be competitive, as they use more fuel than their 4-stroke coun-
terparts. Four stroke engines have 4 phases in the combustion pro-
cess, with ignition and combustion only every second revolution.
This introduces valves into the engines. The size of medium-speed
engines runs between a cylinder bore of 20 to 64 cm and a stroke
length of 20 to 60 cm. They weigh from 3 tons onwards; the larg-
est ones can weigh up to 300 tons. Their output is between ½ to
20 MW. Medium-speed engines are used as auxiliary engines in
larger vessels, for ship propulsion in everything from fishing boats
to cruise ships, and for power plant applications.

High speed engines revolve at speeds between 1000 to
4000 RPM and are all 4-stroke engines. The high speed engines
revolving at above 2000 RPM are used for automotive applica-
tions. Wärtsilä does not produce high speed engines for the
automotive industry. Instead, their range of high speed engines is
used for power generation in power plants and for marine appli-
cations. The speed of this type of engine produced by Wärtsilä
is between 1200 and 1800 RPM and they generate between 300 kilowatt (kW) and 3 MW. Thus they are larger in size than the engines used for the automotive industry. For comparison it could be stated that high speed engines used in automotive applications generate up to 300 kW, the kind used in earth moving equipment for example can generate up to 1 MW.

Both low-speed and medium-speed engines run on heavy fuel oil (HFO) and on light fuel oil (LFO). In this they have a clear advantage over high speed engines, which can only be run on LFO (and diesel oil in the case of the automotive industry). The advantage is created by the fact that HFO is considerably less expensive than LFO (and diesel oil, which is the most expensive of the three different fuel oil types). All three types of diesel engines described above can, however, be converted into gas engines, i.e. to run on gas instead of any kind of ‘oil’. The trend in the gas conversion of engines is from low to high speed engines because high speed engines are more economical to manufacture and perform equally well on gas as the bigger low and medium-speed engines.

From its start in the diesel business Wärtsilä has manufactured 4-stroke engines. Later, high speed engines were added to the engine range through the acquisition of SACM. Stork-Werkspoor Diesel was also in the 4-stroke business. New Sulzer Diesel, in turn, was a ‘technology owner’ of 2-stroke diesel engines, but also produced its own range of 4-stroke engines. After the merger with New Sulzer Diesel, Wärtsilä’s product portfolio comprises all three different engine types as well as gas conversions of them.

THE BUSINESS

As is evident from the description of the different engine types given above, there are three main industries the diesel engine is used in: shipbuilding, power generation and automotive. Wärtsilä is not in the automotive industry, so we shall concentrate on the shipbuilding and power industries in this section.
The use of diesel engines for ship propulsion dates back as far as the invention of the diesel engine itself, as a ‘natural’ transition from the use of the steam engine for this purpose.¹⁸ It can be described as an old, traditional and mature industry. The market is characterised by the fact that growth can predominantly be achieved through an increase in market share within the existing shipbuilding market. The creation of new markets is limited, as it would depend on the development of new technology or new solutions for sea transport, which would then nevertheless have to depend on the diesel engine or a form of development of it.

Within the marine industry segment of the diesel engine, only low and medium-speed engines were and are used. HFO came to play an important role in the development of the diesel engine, as it was and is the most economical of fuels to be used for ship propulsion. The advantages of the 2-stroke engine for ship propulsion were already mentioned in the previous section; gears are not needed. For 2-stroke technology, there are currently 3 companies operating in this market segment. These are MAN Büurmaister & Wein, with about 60% of the market, Wärtsilä through its Sulzer 2-stroke engines with a market share of about 35% and Mitsubishi with a 5% market share. Two stroke engines are produced mainly under licence, with 80 to 90% of global production in Korea and Japan, directly at the shipyards. There is some minor production also in Europe and Brazil. They are produced mainly under licence due to their colossal dimensions. Their size makes it more convenient that they are produced at the shipyard where the vessel itself is built. This is why the companies competing on this market are called ‘technology owners’; they give the licences to the shipbuilders to build their engines.

The contemporary use of the diesel engine for power generation on a large scale was initiated through a number of circumstances. One of them was the fact that HFO was almost as inexpensive as coal in the years from 1985 to 1999 worldwide and it is comparatively easy to transport. Also, the use of HFO
for marine engines and the successful development of the 4-stroke diesel engine to run on HFO made the diesel engine attractive for power generation. This is due to the fact that on a small scale, reciprocating engines, i.e. the diesel engine, are the only reliable power generator to run on HFO. Additionally, as mentioned above, the 4-stroke engine outperforms the 2-stroke engine economically when applied to power generation. Thus the 4-stroke diesel engine running on HFO became attractive for the generation of power. Also, the diesel engine run power plant can be comparatively small in size and constructed relatively rapidly, making it attractive for remote and ‘inaccessible’ regions in the world, as well as for factory specific power plants or for power plants limited to location and size in other ways. In the second half of the 1980’s, another change occurred in many parts of the world; the power plant markets were opened up to independent power producers (IPP), with governments then starting to buy power from IPPs. Before this change, the generation of energy was in the hands of government owned utilities. During the 1980’s and 1990’s, the small scale power plant business was thus an opportunistic business, because of changes in the market and the development of suitable technology.

Wärtsilä grew substantially in the Power Plant sector because of its technically and commercially successful development of the HFO run 4-stroke engine. In 1986, the Power Plant business was made a dedicated business area, evidently contributing to the company’s growth in this market segment. Thus the matrix organisation of the company played an important role especially in the growth of the power plant business. Overall, Wärtsilä was in a position to use its technology and know how and develop and provide what the market needed, i.e. provide solutions for those willing to invest in the energy business, concerning everything from the technical to the financial aspects of power plants and their operation. The IPP investors were mostly large oil and gas companies. Wärtsilä came to develop much of its power plant
business together with the oil and gas industry. As the company’s competence in the power plant business expanded, its evolution moved on to Wärtsilä becoming the operator of the power plant, an extension of the power plant business of Wärtsilä.

The years 1991 to 1997 were highly profitable for Wärtsilä in the power plant business. However, there seems to be another driving factor behind the success of Wärtsilä in the power plant business; Wärtsilä Diesel was never able to rely on being supported solely by the Finnish market (Hernesniemi and Viitamo, 1999) or Finnish development aid for its growth. The customers for new products evidently had to be found on international markets. This can explain the company’s efforts to establish its sales and service network worldwide and to internationalise through acquisitions.

Even though the HFO power plant business is not as mature as the market for the shipbuilding industry, it is heavily dependent on oil prices and its markets are shrinking since the downturn in Asia. This makes it rather vulnerable. Competition in the HFO segment of the power plant business is between the marine oriented engine makers, as Wärtsilä had also been traditionally. Currently, Wärtsilä has a market share of about 60% globally in this segment of the power plant business. The other big names of the power plant industry like GE, ABB and Siemens are active in the market for larger power plants, run mainly by gas turbines.

Wärtsilä is also in the gas engine business for the use of power generation, although not as successfully as for the HFO power plant business. Gas can be burned efficiently in all kinds of engines as well as gas turbines. The advantage of the gas power plant is that it is environmentally cleaner, and is more economical in price than the HFO power plant. In this market, Wärtsilä’s position is that of a challenger compared to preferred suppliers like Jenbacher and Caterpillar. For the mergers examined in this study, the gas power plant business is of minor importance; therefore this power plant market will not be examined in detail in this study.
The diesel engine business in general is what could be described as a comparatively mature business. According to Weston et al. (1990), mergers in mature industries are likely to take place in the form of the larger companies acquiring the smaller ones within that industry. Smaller companies may be pressured to combine because of economies of scale. Mature industries are generally characterised by a small number of large companies competing through the quality of their products and their prices. Production efficiency is the key. Within declining industries, horizontal (related) mergers take place in order to ensure survival. (idem) The mergers of Wärtsilä examined in this study took place in the same industry Wärtsilä is in. In one case, a direct competitor on the 4-stroke diesel engine market was acquired, in the other, a partial competitor, with 4-stroke but also 2-stroke engines in its product portfolio. Now we shall proceed to the description of the case mergers.
THE DISPOSITION OF this chapter comprises the following sections: general data on the merger in the form of the basic figures on the merging companies at the time of the merger and the contractual details of the merger. The apparent reasons for the merger and its synergy potential will also be discussed and a description of the occurrences of the post-merger integration process will follow. These sections provide background information about the merger. Having drawn a picture of the landscape of this merger, the main problematic aspects of the merger as they presented themselves at the time of this study are described and analysed. The chapter concludes with a summary of the findings of this merger and a discussion of what they meant for the continuation of this study as it moved on to the next case merger.

The merger between Wärtsilä Diesel and Stork-Werkspoor Diesel was finalised in December 1989. Data collection on this merger took place in 1997. The data include 32 interviews with representatives from both merged companies as well as owners. Additionally, supplementary data were used, such as merger documents, annual reports and the like.

At the time of the merger with Stork-Werkspoor Diesel in 1989 Wärtsilä Diesel had about 2500 employees, of which some 800 outside Finland. Counting associated companies, the number of employees was some 5000 with almost 3500 outside Finland. The company’s turnover was 1650 MFIM in the year of the merger. Its production had spread from solely Finland to Sweden, Norway and France and it had established its global market presence through network companies by that time.

Stork-Werkspoor Diesel, in turn, employed some 850 people in 1989 and had a turnover of 420 MFIM. Its main market areas were Western Europe, Southeast-Asia and the USA. Market presence was handled mainly through sales and service bases in the
USA, the UK, France, Spain, Portugal, Singapore and Indonesia. The company’s activities were coordinated from the Netherlands. Production was domestic with two units, one in Amsterdam and one in Zwolle. The latter location is where the company also had its headquarters.

**MERGER REASONS AND SYNERGY POTENTIAL**

_**Wärtsilä Diesel acquired 60% of Stork-Werkspoor Diesel in December 1989 because of the evident desire to expand its business and production into Central Europe, to internationalise and to increase its market share. Additionally, the company wanted to incorporate additional markets, know how on these markets as well as increase its service volume as a result of the merger. The relation of the two companies prior to the merger can be described as a competitor relationship; they were in the same line of business and had similar, ‘overlapping’ products, i.e. both were in the business of producing and servicing 4-stroke engines._

“Coming from a 5 million people country there must be a limit to the resources. You have to find your resources also outside that 5 million people country. And yeah, obviously we SWD were one of them.” (Jaap)

The potential synergy of this merger seen from Wärtsilä Diesel’s position seemed to lie in the following areas, derived from analysis of the interview material on this merger;

- growth in terms of global market presence (Stork-Werkspoor Diesel’s market presence in markets where Wärtsilä Diesel was not strong, mainly the Benelux and parts of South East Asia, in addition
Stork-Werkspoor Diesel was also strong in the U.K., Ireland and the Caribbean

✓ growth in terms of company size (know how and production capacity in Europe)

✓ growth in terms of market share (Stork-Werkspoor Diesel’s markets, existing engine base and service business)

✓ ‘elimination’ of a competitor through integration with Wärtsilä Diesel

Wärtsilä Diesel had grown steadily since the early 1970’s and was on the road to internationalisation, of which Stork-Werkspoor Diesel became a part. The path Stork-Werkspoor Diesel had taken to the deal with Wärtsilä Diesel deviated somewhat from the latter. The history of Stork-Werkspoor Diesel can be said to begin in the 17th century, because the roots of the company Werkspoor lie in the United East Indian Company. This company operated large sailing ships to Asia. In addition to the Asian trade this company built ships and manufactured ship ropes. The production facility for ropes seemed to have led to producing trains and through that to the steam engine over the centuries. The steam engine, again, led to the diesel engine. Werkspoor became a part of the Stork conglomerate (Stork N.V.), and during a restructuring in the late 1960’s the diesel engine business became its own division, much as had been the case with Wärtsilä as well.

The potential synergy of this merger seen from Stork-Werkspoor Diesel’s position seemed to incorporate another dimension in addition to growth. At Stork N.V., the parent company, there did not seem to take too much interest in the diesel engine business. The diesel division seemed not to come out of the red, and in 1979 Stork approached the government of the Netherlands, which took a share in the company. For that purpose Stork-Werkspoor Diesel had been split off from Stork N.V. also legally. In 1979 the company became independent, owned by Stork and
the government of the Netherlands, a half each. A number of restructuring periods followed, reducing its workforce from some 1500 in 1984 to about 1000 in 1987 and some 850 in 1989. In 1987 it made a profit again, for the first time for many years. Thus people within Stork-Werkspoor Diesel seemed to see the merger more as salvation.

“But you know, I think that before the negotiations started already, like every company in the world, if you see what happens in the world, that companies join and they find each other to strengthen production, marketing and sales. Because if you have to be… if you are a leader or you want to be a leader, you have to invest a lot of money. Now, can you afford that by yourself to do that, or do you what we say, do you need a big brother. So we said, we are going down and we had to develop a new engine type. And there is a lot of money involved. And can you afford that, yes or no? That is difficult. So years ago, already, if you read magazines and newspapers and talk to people, they said already ten or 15 years ago, that by around 2000, the year of 2000, four or five big diesel manufacturers will be there. And all the small will disappear. Some will merge and others will close down and so on. I think most of us realised that already in the 90s, you know, that must be a good opportunity to join with another company which is also big and strong and then do it together. That gives more opportunities for your future. Thinking about that, I think it is good. Now going on you realise that it is good to be one of this group.” (Gijs)

The company had been in a period of decline before the merger. The management of the company knew that they had to find a partner in order to survive, also because Stork N.V., the parent company, did not seem to focus enough on its diesel business in order to invest in it. So the merger with Wärtsilä Diesel seemed to be a solution to the problem of survival. Stork-Werkspoor Diesel gained a majority owner who was evidently more
interested in investing in the business and future of Stork-Werkspoor Diesel.

“I don’t know, really, I mean, Wärtsilä was of course throughout the world respected by the fact that they grew from a tiny little company into one of the largest diesel producers. Companies like Stork-Werkspoor and the Sulzers and Mirrlees particularly were companies that had glory days and were really, I mean, from a large market segment world wide, we dropped to almost a bare minimum. So we were ‘frustatos’, and they were the champions. So you have, yeah…. that makes so much difference in how you… I mean we were, our management on corporate level I think were so frustrated, particularly that management we had in those days, that they forget to invest in the future. ‘Cause we were…yeah, we were losers. Former champions and loosing while the underdog that Wärtsilä was, the smallest player in the game, all of a sudden was there. So they had this winning power and still have. It’s amazing. And that is something I think you can only respect a lot. I think Wärtsilä management is looking very, very much to the future. Taking challenges and sticking their neck out. While most of the Dutch companies and particularly Stork in those days was more ‘let’s go on a status quo and see how we can….. let’s not…’, particularly not investing in the future. I think that… if that answers your question, I don’t know. And that’s the reason. Difference I mean, between the two. The champions that are going for it and the other ones that were… the sales was not there, we had to…. I mean, bear in mind, Ranja, that Werkspoor once upon a time had 7… and it was in the 60’s, had 7000 employees. When I joined them in 85 there were only one thousand left. And now I think 800. Of course because of more modern plants. But you can imagine how that…. Yeah, I think that is…. Basically if we would have… if the Stork-Werkspoor would have also been in this winning mode, I think on a corporate level there wouldn’t have been too much of a difference. It was more created by emotion, again. Ja. Ja.” (Vincent)
“Stork had been restructured over the years and had been in crises, but it was in mediocre shape and it was not making a loss but was moderately profitable even at the acquisition phase. The product portfolio was aged because they did not have the resources to invest such sums in the development of products. It clearly needed to renew its product portfolio.” (Transl., Antero)

Wärtsilä Diesel was evidently seen as a comparatively young organisation at the time of this merger, with its diesel engine production and establishment of the Wärtsilä engine as a brand starting later than the one of Stork-Werkspoor Diesel or any other of the major diesel engine producers. Thus it was seemingly perceived as the underdog on the international market of the diesel engine both by Stork-Werkspoor Diesel representatives as well as the ‘market place’; a small, aggressive, successful fighter. Stork-Werkspoor Diesel in turn had gone through a period of decline before the merger, though it was not making a loss any more at the time of the merger, nor had it done so for a couple of years.

**CONTRACTUAL DETAILS OF THE MERGER**


“At that time 50% of the shares were in the hands of the ministry of economic affairs. And those shares were sold to Wärtsilä. And there were issued new shares in order to get a majority of 60% to Wärtsilä, 40% remaining at Stork…” (Bert)

The agreement between the companies states that Wärtsilä Diesel bought 60% of Stork-Werkspoor Diesel. This agreement
was called a *joint venture agreement*\(^{19}\). The objective of the agreement was

“…to strengthen the position of Wärtsilä and SWD [Stork-Werkspoor Diesel] in the Dutch and international diesel engine market and to secure the continuity of the activities of SWD as an independent company in the development, marketing, manufacturing and after-sales service of diesel engines.” (Joint venture agreement, article 2, p. 7)

This objective was to be achieved with the co-operation of the minority shareholder Stork NV. The agreement also states other details: that the majority of the Board of Management of Stork-Werkspoor Diesel should consist of individuals with sufficient local experience and knowledge of the Dutch legal system and society. Also, its chairman should be a member of the top management committee of the world-wide diesel engine business of Wärtsilä Diesel. Stork-Wärtsilä Diesel was to be managed according to the business plan and budget prepared by the management of Stork-Wärtsilä Diesel. These plans were to be consistent with the world-wide plans of Wärtsilä Diesel and approved by Wärtsilä Diesel and the Supervisory Board of Stork-Wärtsilä Diesel. Naturally the change of name from Stork-Werkspoor Diesel to Stork-Wärtsilä Diesel was also mentioned in the agreement.

By the top management of the group this merger seemed to have been regarded as and communicated as a merger from its beginning. It will be referred to as a merger throughout this study as well, because it was referred to as a merger from the beginning of this study and because it meets the legal requirements of a merger. As will be explored below, the terminology used in this merger and the perception of it was not without discrepancies. The discussion of this topic is saved for later, however, as the objective in this section is to prepare the ground for the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel. We shall continue with a
THE POST-MERGER PROCESS

The negotiations for the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel started in the spring of 1989. The merger agreement was signed on December 20, 1989. The negotiations were described as smooth and unproblematic, with both sides evidently displaying a positive attitude towards the joint endeavour. At a sales conference in 1990 the merged parties met for the first time in an official setting on a large scale. The internal competition already seemed to have been noticed by organizational members, as well as the changed attitude of the management of Stork-Wärtsilä Diesel. At Stork-Wärtsilä Diesel, the feeling seemed to be at this time that they were ‘left alone’, i.e. the new majority owners were perceived as not displaying much interest in the newly acquired company. Insecurity about the future of Stork-Wärtsilä Diesel seemed to be growing. Finnish expatriates sent to work at Stork-Wärtsilä Diesel, however, report they experienced being ‘frozen out’ by the organisation in the Netherlands. All this seemed to lead to people experiencing that too little or the wrong things were happening and that time was being lost.

In 1991, the managing director of Stork-Wärtsilä Diesel changed and the development of a new engine at Stork-Wärtsilä Diesel was approved. These two occurrences seemed to influence the overall atmosphere in the Dutch unit positively. Wärtsilä Diesel’s organisational structure was changed into a business area matrix and a new management training course was started. Both these measures seemed to increase the contacts between the units within the group, and especially the management training programme was evaluated positively by participants as having

description of the ‘major milestones and occurrences’ of the post-merger integration process for now, with a subsequent analysis.
been a positive experience and having fostered a ‘group feeling’. The internal competition and perceived loss of time regarding integration after the merger prevailed, nevertheless, even though things seemed to improve at the management of Stork-Wärtsilä Diesel because of the change of the company’s managing director. The investment decision in terms of the new product seemed to strengthen the unit’s members’ belief in the future.

In 1992 a green field study of a new production plant in Zwolle was conducted. Other than that the year was quiet, and internal competition seemed to blossom as before. In 1993 the newly developed engine of the Dutch unit was launched on the market and the development of another, smaller engine was approved. These two engines were developed to fill gaps in Wärtsilä Diesel’s engine portfolio, i.e. to complement the product range. Internal competition seemed to still be prevailing.

In 1994 the decision was taken to build a new production facility in Zwolle in the course of setting up a manufacturing master plan for the whole corporation. Production in Amsterdam was to be closed entirely. Also in 1994, a new training course was implemented, focusing on sales. However, the new training course did not seem to have much effect in terms of diminishing internal competition. Only in 1995, with the decision on the change of the management structure around sales from product responsibility to regional responsibility, did the internal competition seem to have found its conqueror. This measure seemed to have been taken as the internal competition seemed to be perceived as increasingly threatening by the top management of the group. The same year, the new product of the Dutch unit was launched. In 1995 the company suffered from the additional costs generated by the construction of the new production facility in Zwolle, but nevertheless the merged parties were viewed as coming together to some extent during that year. In the Dutch unit, people began to feel that they were “taken seriously by Finland”. The last “old” engines of the Dutch unit were sold in 1995 and the ‘evolution’ of the product
portfolio seemed to begin to be satisfying to the management of Wärtsilä Diesel.

In 1996 for the first time a Finn filled a top management position at Stork-Wärtsilä Diesel, and was appointed head of the power plant department of Stork-Wärtsilä Diesel. The concept of ‘joint sourcing’ for all the units within the group was implemented the same year and an integrated sales organisation was implemented. The same year, a joint management team meeting discussing the merger explicitly was held in Finland.

In 1997, when the study presented here began, the new manufacturing facility in Zwolle was being completed and the manufacturing unit in Amsterdam was finally closed down. The same year, the merger between Wärtsilä Diesel and New Sulzer Diesel was finalised. This merger seemed to have a vital impact on integration of the Dutch unit, as the Dutch felt they were part of the company that was acquiring New Sulzer Diesel.

**PROBLEM AREAS OF THE MERGER**

There seemed to be a number of problematic aspects to this merger. For example, an ‘us them division’ not uncommon in mergers generally\(^\text{20}\) seemed to exist in this merger, at least up to the start of this study. People from the Dutch unit were referred to as ‘Stork people’, Finns were Finns or from ‘Wärtsilä’. This division, which seems to be a very common problem in mergers\(^\text{21}\), seems to be much such as any division people seem to make between people who are such as them and people who are different. It can be nationalities, tribes, professions, clans, educational backgrounds, schools, colour or another possible differentiating factor. In a merger, the differentiating factor seems to be the company membership prior to the merger. Individuals going to work
for the ‘other side’ can easily be perceived as ‘deserters’ and also experience having this ‘status’ among their peers.

“…and I became [job title] in his management team. And there you already started to notice that there was quite a lot of resistance in the Dutch group about that move. They considered me a… a kind of spy, all of a sudden I was working for Wärtsilä and no longer for Stork-Werkspoor. After the merger, yeah, it was after the merger.” (Vincent)

The division of ownership also seemed to have caused some trouble to a number of people. Wärtsilä Diesel bought 60% of Stork-Werkspoor Diesel, with 40% remaining with the former owner Stork N.V. Having a minority shareholder seemed to be perceived as a disturbing factor especially in the Dutch unit. For one, this setting seemed to complicate loyalty towards owners. In terms of profits, it seemed to be experienced as disturbing by some members of Stork Wärtsilä Diesel that 40% of the generated revenues would still go to Stork N.V.

“And as long as you have two shareholders you have two interests. And you cannot go around that. But from a business point of view we are not working at all together with Stork. It’s none of my interest.” (Rein)

“Because you are not just talking about your own wallet, you are also talking about someone else’s wallet too. 40% of the profits are going to somebody else. I think that is a major mistake. Because it takes a part of your freedom. You have to bear in mind the consequences.” (Rudi)

Another dimension of the 60-40 division of ownership in this case was that the Dutch unit did not seem to be experienced as completely belonging to the Wärtsilä group. This seemed to lead to some unease regarding the position of Stork Wärtsilä Diesel within the group.
“And we are the only none-100 owned company in the group, and that is… Ja, if you talk about it like I do now then I can invent all kind of scenarios that are against us.”
Q: “In what way against you?”
A: “Well, if I would be main shareholder and I had a unit in Holland that is doing well but on the other hand every guilder I made there is only 60 cents for me. Then I… or let’s say it the other way around, if it’s going bad and I have to invest a lot of money, because that’s normally more the case, then I can understand that it would be one of the first companies where I would say, well, let’s reorganise them. I can understand that then also some major reorganisation will happen to get either in a position that you get the full 100% or whatever else. That’s awkward. It’s awkward. It’s not consistent with the rest of the approach we have.” (Vincent)

There are a number of possible reasons for the ownership division in this merger. For one, the parent company Stork N.V. might have wanted to retain a 40% holding in order to continue to be associated with the diesel industry. Secondly, the merger could have been implemented more easily with the unions involved in the Netherlands. Additionally, there seemed to have been some benefits in having a minority shareholder in terms of purchase volume and keeping the pension funds with Stork N.V.

“But it’s still nice to see that our Dutch partner is still interested in what we are doing. Because we’re the only minority shareholder of the Stork business, as I know, so… But I read their financial report of 96 and we are still in there. Saying…. Because this is good public relations, they have a minority investment of a company that is doing excellent things. It’s always good.” (Ruben)

“The funny thing is, Stork looks upon it as what they call a strategic alliance. And that’s important.” (Willem)
“OK, we have some financial advantages using the purchasing volume of Stork when getting discounts from travel agencies etc. So we only take benefits. That’s typically Dutch. And we are leaning on them when we make agreements with the unions for personnel matters so that we do not have to negotiate ourselves with the unions. Also, we save cost for that. So, only those advantages. But in business we are not involved at all with Stork.” (Rein)

“For instance Stork… it works both ways, Stork has still using volume from Stork-Wärtsilä Diesel to get yearly base contracts in Holland, so they would like to have Stork-Wärtsilä Diesel still inside that loop. Wärtsilä… It’s cheaper to… if you have a loss to compensate somewhere, it’s cheaper to put it in Stork-Wärtsilä Diesel, because it only costs 60%. It’s pure political, and not on operational level at all. Nobody in this building cares about that. Nobody. About 60-40. Everybody considers themselves Wärtsilä. And… But I think if you go a little bit higher here, then people will… It will have an effect on the budgets of people on that level. So there is always an issue. Not major issues, but there will always be a discrepancy. You will never be fully part of the group if you have that division 60-40.” (Rogir)

Another problematic aspect of this merger seemed to be the cultural differences perceived by some representatives of both merged companies to exist in this merger. Aspects of both organisational and national culture were mentioned. This area was, however, not undisputedly perceived as severe or important. Interviewees from both merging companies might find the cultural differences between Finns and the Dutch very important, others again did not seem to put much weight onto cultural aspects at all. This seems to be a phenomenon similar to that Schweiger et al. (1987) report of in their study; some of their respondents did not seem to ascribe much importance to cultural clashes, others did. In their (idem) case, because the study was carried out within the national boundaries of the US, the cultural issues were of the organisational kind. However, it was interesting to notice that
some people seem to perceive these cultural issues, organisational or national, as important, others do not.

“Of course the whole business approach and technical approach and engineering design approach and what is there more is important but this cultural thing is most of the time neglected.” (Karel)

“This thing with the cultural differences that is much talked about, I think that it actually is of less importance, after all…” (Transl., Leif)

Q: “How did the national cultures influence the merger?”
A: “I don’t believe that there has been any big trouble. The general way of doing things is pretty similar in Holland and in Finland; promises are kept by and large and things are done according to plan in an organised fashion. There is no big difference there. The Dutch are known for being able to say things directly and bluntly like the Finns as well.” (Transl., Antero)

“This kind of procedure with Stork, it has taken a lot of time, because there are after all cultural differences. Finns and Dutch people are quite stubborn. You can imagine that when the Dutch have cleared themselves living space from the ocean, then one tends to become a little stubborn and we, again, because of the cold.” (Transl., Erkki)

“In that respect, I think, it’s good to... we went to... a few people here to this Metra training, a management training for Metra, and there you also... and this psychologist, he put people in groups from the country of origin and had people talk about the differences, because of a global... And then you can hear really, I mean the... what did the Finns think of the Dutch and what the Swedish think of the Finns. That was really interesting. I mean, those types of things are really... helping you understand the cultural aspects in working in a global company. And it’s funny to hear what people think of you, once in a while. Even if it’s not
nice things to hear, it’s good to hear them. Because sometimes it’s perception, sometimes it’s truth. And that really helps a lot in understanding how other people... ‘Cause communication is one of the biggest part in working in a big company like this. And also with integration, communication and... letting people know, what is the idea, what is the essence in things. It’s 70% of the whole integration part. Integration itself is nothing. I mean, integrating papers or other things or inventing new names or logos, OK, it is a lot of work for people, but group wise it’s not a lot of work. Overcoming mental barriers and fears of people and not understanding cultural aspects, not only country wise but also company wise, different cultures that grew over the years. Those are the biggest barriers, as far as I can see.” (Rogir)

As shall be describe below, this merger suffered from behavioural inconsistencies to some extent, which could be ascribed to cultural differences. The choice not to study aspects of culture was made in this study, for the reasons stated in the first chapter under the section on the limitations of this study. According to the view of some of the (mis-)use of the concept of culture, the above quotes already show the inclination of people to make everything culturally explainable, as culture is all around us and constantly produced by us. This makes the whole concept immensely complex. The stubbornness of people, for example, can be explained by differences in national culture. A similar setting can exist between two individuals, even if they had the same cultural heritage in terms of national culture. From what aspect of culture is their behaviour explainable, then, and how much of their stubbornness is genetic? Because of precisely these kinds of questions, the inclusion of culture as a dominant aspect of study in the analysis of the case mergers was avoided in this study. Instead, focus was turned on other problematic aspects of the mergers, of which a more detailed description will be now given.

In the course of analysing the data for this merger, four specific problem areas seemed to crystallise themselves out of the
material as particularly severe. The main problem areas of this merger, described in more detail below, seemed to have been in the areas of

✓ internal competition,
✓ the terminology employed to describe the organisational change that occurred,
✓ problems related to the original top management of Stork-Werkspoor Diesel and
✓ the notion of having lost time with regard to integration, i.e. insufficient implementation of post-merger integration.

The problem areas of the internal competition, the ‘original top management’ of Stork-Werkspoor Diesel and the perceived loss of time regarding integration were the ones interviewees mentioned most frequently and also the ones that evoked the strongest emotions. Also, these problem areas seemed to be perceived as surprising, unexpected, and were sometimes met with bewilderment and resignation, which could be argued to go hand in hand with the emotionality towards these problematic aspects. ‘Merger terminology’ was not directly mentioned as a problematic aspect of the merger, but this aspect of the merger seemed to cause confusion and bewilderment even at the time of the interviews, which kindled my interest in this specific issue.

Bearing in mind that the data collection for this merger took place almost 9 years after the merger was made official, interviewees’ ideas and thoughts about what had gone wrong in this merger or what could have been done better were seemingly clear. The coherence among interviewees on the events and problem areas of this merger, also between representatives of the former Wärtsilä Diesel and Stork-Werkspoor Diesel, seemed to be so astoundingly strong that they seemed to be a ‘collective experience’. Now, we shall commence examining the main problematic
aspects of the merger between Wärtsilä Diesel and Stork-Werk- spoor Diesel in more detail.

INTERNAL COMPETITION

The internal competition seemed to have affected different areas of business, as in the competition between product companies in terms of sales and profit or competition for investments. But it was apparently most severe in Power Plant sales, which is the part of internal competition that was especially regarded as lingering on for too long and being damaging.

“Power Plant is quite another world. And there of course we had the biggest competition. Running behind the same projects at the same time… meeting in the lobby, things like that. Yeah.” (Vincent)

“There was too long a competition between Wärtsilä and Stork, on technical department side, on the production side… […] But mostly in the selling side, there was too big competition and that is not good for the business. And it’s also not good for us. We have to…. The Product Company has to build the engines and if there is a big competition in the sales market between each other, then the prices are not good.” (Frans)

Regarding the sales of engines for Power Plants, everything seemed to stay as it was before the merger. Both Wärtsilä Diesel and Stork-Wärtsilä Diesel seemed to go about their business more or less as if the merger had not taken place, as the competitors they were before the merger. This whole situation seemed to cause severe frustration in the long run.

“We dropped prices and competed internally. That is a thing that goes through the whole company and the majority has experienced that as damned foolish. How in hell do we compete internally? […] …when we have dropped the prices internally, then
we have practically minimised shareholder value. You only need healthy common sense for that. There is something sick here. It has been experienced very negatively here. Why are we doing this kind of thing? One does not like to feel foolish. I do want to feel proud of a certain smartness… for filling a place in life… it has had a depressing influence for certain people to be involved in such foolish things. Certain customers have said that it’s a good thing with Wärtsilä, one does not need more competition. Wärtsilä competes internally so actively and so intensively. It is a way to please the customer, but maybe there is no healthy business sense in the long run.” (Transl., Pontus)

The internal competition seemed to have an ‘individual touch’, with battles seemingly being carried out between individuals belonging to the ‘two sides’.

“The project lists were put on the table and both said that ‘these are all my projects and these are mine too’. It did not go anywhere from there. Both were determined guys, and did not give in. It did not help to referee. […] It was fierce competition.” (Transl., Alpo)

Effect on post-merger integration

Of all the problem areas connected with the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel the persisting internal competition seems to have been the most damaging one regarding integration. It lingered on until approximately 5 years after the merger, evidently causing frustration within the two merged organisations, bewilderment among customers and most likely also financial losses.

Customers seemed to be getting tenders and were visited for the same project by representatives from the units in Holland and Finland. Some customers were said to have been pretty good at using the situation to their advantage, playing off the ‘two sides’, one against the other. For the overall business of the whole group
this cannot have been advantageous in the long run. In addition to losing margins in deals, which would be de motivating *per se*, a situation like this could damage a company’s reputation and even weaken its name or the names of its brands. The little motivation it might foster in some individuals in terms of ‘winning’ would be pointed in the wrong direction, because it would work against colleagues and thus the whole group.

“The story about the sales managers who were in Indonesia and when they had a discussion with the client, two hours later they saw their Finnish colleague over there also bringing in an offer to the customer. This is killing a nice management plan of synergies. Absolutely killing.” (Ruben)

“But there were no antipathies towards them, on the other hand during co-operation some regrettable patterns emerged; at some customer they had made up a ‘faults list’, what faults our engines had. They had shown it: ‘Buy from us. This is the kind of faults their engines have’. This happened in 93, 94. A long time after, when things like this emerged, feelings ran high and that made the integration more difficult.” (Transl., Jukka)

*Explanations for the continuous internal competition*

The internal competition seemed to be one of, if not the heaviest, setbacks of the merger. The reasons for emergence and continuation of this disadvantageous situation can be found in several aspects. For one, the merging companies were competitors to start with and had been ever since they knew of the other’s existence, so to speak. So their ‘competitor heritage’ seemed to be strong. Having been competitors, they had overlapping products, as they were both in the 4-stroke business. Secondly, the way Wärtsilä Diesel was organised seemed to, if not foster, then at least permit a situation like this to go on. The organisational structure was an ‘actor’ in the ‘internal competition scene’ because it seems
to have been ‘left to live its own life’, i.e. it did not seem to have been adjusted to enhance post-merger integration until many years into the process. This seems to lead to a third feature in this setting: management of post-merger integration in general and the perceived lack thereof. The joint venture agreement could have played a role in the emergence and continuation of the internal competition as well, as will be discussed below. Last but not least, the internal competition seemed to have a ‘personal note’ to it; competition between individuals.

**Competition heritage**

“So that was my first knowledge of Wärtsilä, of course we know it from the market, Wärtsilä was our competitor at that time, and then suddenly, from the first of January 1990 we were friends and had to cope with each other. [...] Yeah, it’s of course a strange situation in the beginning, how to cope with your competitor…”

(Edwin)

According to Vaara (1999) the danger of internal competition always prevails in horizontal mergers, as the merging companies have been competitors ‘externally’ prior to the merger. This seemed to have been the case also in this merger. As mentioned above, Wärtsilä Diesel and Stork-Werkspoor Diesel competed on the 4-stroke diesel engine market before they merged with an overlapping product range. Through the merger Wärtsilä Diesel had bought the majority of a competitor. Starting from such a setting, it is understandable that people cannot change their ‘work mode’ overnight.

“You have go back into history. Wärtsilä and SWD, Stork-Werkspoor, were of course competitors, fierce competitors. You cannot expect people that are cutting each others throat to be all of a sudden shaking hands and patting each other’s shoulders saying
let’s do it together. Naturally that is a natural process that you need to accept that. That will happen. But if the management, top management, is not showing or not giving the example on how it should be done, then you create a problem.” (Vincent)

“Well, let’s face it. When you have been competitors for years and then the sales people who were fighting with each other for years have to work together... At the moment when we were discussing about the merger in 89 we had an anti dumping complaint at the European court to Wärtsilä so we were fighting, that moment, legally, towards each other. That takes some time to get rid of those things. Because you are now one, together.” (Rein)

“Like I said, at the beginning it was easier to have them the Dutch as a real competitor than having them in the group. Competitors are competitors, then one doesn’t have to take all kinds of other things into consideration.” (Transl., Knut)

‘Life’, i.e. doing business, seemed to have been held in a status quo mode as a natural continuation of the relationship prior to the merger. Changing the ‘business-as-usual’ work mode these two organisations would have made an effort, a change. Why this did not happen seemed to have other reasons, which I will discuss below.

One of the major milestones that seemed to foster some positive development in this situation was the fact that the Dutch unit launched a new product in 1993. This was a ‘Wärtsilä engine’, i.e. it carried the name Wärtsilä. Also, it had been developed to complement the product range of the group. This new engine seemed to improve acceptance of the Dutch unit in the rest of the group. This goes for the network as well, not only the other production units within the group. Now the Dutch unit could be perceived more as ‘Wärtsilä’, because they had a Wärtsilä engine. By the Dutch, in turn, it could be interpreted as a sign that they indeed were a part of the group, now that such an investment had been made. The development and launching of this engine seem
to have been one of the major success factors facilitating integration in this merger overall. Nevertheless, even with the “new” product the competition continued, competing against other engines within the group’s engine portfolio close to its size. Additionally, the ‘old’ Stork-Werkspoor Diesel engines continued to be sold until 1995.

“A big difference was that Wärtsilä was efficient. Stork was not efficient, everything else. Their… products were OK, technically they had quite good stuff, but old fashioned and expensive, but working, yes.” (Transl., Alpo)

Overlapping products cannot be beneficial for a situation of internal competition. Especially in the network companies having ‘new’ Stork-Werkspoor Diesel products in the portfolio did not seem to be welcomed, which is understandable. It takes time to learn ‘new’ products, which is a prerequisite if they are to be sold and serviced. This seemed to have been behind one of the negative effects of the decision to let Stork-Wärstilä Diesel be responsible for the market areas of Indonesia, the Caribbean and the Benelux countries for some time after the merger. In these areas, Wärtsilä products were apparently not promoted in accordance with the expectations and wishes of the members of the different units within Wärtsilä Diesel. In the same manner, representatives of the Dutch unit seemed to have some difficulty with accepting the network sales organisation of Wärtsilä Diesel, where people seemed to be more into promoting the products they already knew from before. Coming into a group with a different way of working and structure seemed to have posed some difficulty.

**Organisational structure**

In an organisation with operations as large and international as Wärtsilä Diesel had at the beginning of the 1990’s, it would be impossible not to have groups or groupings within the
company with varying interests. Additionally, as the corporation was structured according to a matrix, which seemed to carry some inefficiencies, the competition heritage the two merged companies carried with them had fallen on fertile ground, it seems. The sales function of the corporation was confronted with a discrepancy between the product companies and the business area(s). In the product companies the requirement was to fill the factories and be as profitable as possible. In the business areas, in turn, people were struggling with market share and the overall result and growth of the business area as such. Sales were handled separately for every Product Company. This had been the case since the beginning of diesel engine sales within Wärtsilä. The internal competition after the merger in 1989 is understandable in this light, with every Product Company fighting for its own products, for its own volume, for its own markets, i.e. protecting its turf.

“Earlier it was the way also from the management side that every unit should have its own sales. One worked only for the products of one’s own unit. As a matter of fact the management should have known better even earlier. This is nothing new, it has happened in other industries.” (Transl., Staffan)

“And as long as you have a sales…. because again I have to stress it’s sales, because there we meet each other, not in production. But if sales people meet each other and you notice that your colleague from Finland is going to the same client, undercutting your price just to make… frustrate your deal, then you get war. No doubt about it. And even top management could not stop that. Because both product factories have only one interest; volume. ‘We need to get those people to work. So, I don’t care what Wärtsilä or Stork is doing, you sell.’ But I must admit that indeed, in 92, 93, at least in top management in our group, in our Dutch unit, the attitude changed.” (Vincent)

Now we can only guess at how long internal competition would have continued and what the consequences would have
been, because a change was implemented by top management in 1996. The ‘integrated sales organisation’ was implemented, mainly because of the on-going internal competition. This management measure seemed to be another significant milestone regarding the integration of the two merged companies.

“I think that it was in the sales conference in 1995, I think it was, yeah, was it? I don’t know… that it was decided, yeah it was in 1995 […], where it was decided that the whole management structure around the selling business area would change. There were reasonable people appointed for the regions instead of for products. That must have been a great improvement. I think it was. So that I think also was something that slowed down the profitability of the business a little bit. There was before that in the selling business areas a lot of internal competition and a lot of double effort.” (Jaap)

“During the first half of the 90’s the main principle in Wärtsilä was that the companies decide what they do and the business areas co-ordinate. Efforts have been made for a couple of years now, for the business areas to decide and the companies provide the resources and report locally. This is one thing where our management profile has been diminished; they have not reached consensus on who should decide. The definition of the basic features of the matrix has not succeeded. And because of that there is confusion as to who decides what. Like I’m sure you have noticed, that it is asked, who does what. This is one reason why nothing more could be done within the business area and the competition continued. The company heads wanted to continue it… or allowed the competition to continue. The business areas had to adjust. Nowadays the business areas have more power.” (Transl., Alpo)

“It is very much about how far in the organisation can you bring the message. That we have taken the step as a majority as Wärtsilä and you better be Wärtsilä and not Stork, and that message is never clearly told as such. That is why the process is very long.
And that has been upheld partly, as I described, maybe in the organisation of Stork, we felt we can go on the way we had been going on. That is not the case now anymore. So this process, which we have now had 1,5 years ago, it should have been done five years ago. But now there is clearness in the organisation who is in charge and who has to make the money, the money has to be made by the business area and the factories have to try to be profitable and make engines at the lowest cost. That is as simple as possible. That is quite clear.” (Bas)

The above quotes once more indicate the inherent frustration at the internal competition and portray the relief at the structural change in organisation that was implemented in 1996. The structural change and its implementation lead us over to the management aspects evidently connected with this problem area.

Management

The retrospective view of this merger and its problems among interviewees seemed to be that nothing was done about it in terms of decisions and implementations from top management’s side for too long. This seemed to be the general perception also among top management. The internal competition was perceived as not having been interfered with, it was just ‘allowed to continue’ (until 1995/1996). I could sense some bewilderment or astonishment among interviewees on why decisions were not taken earlier. This seemed to sometimes be interpreted as a management weakness.

Q: “How did this competition feel?”
A: “You mean then, before? Everybody thought that it was foolish but we could not do anything about it either. It did not solve anything to think about it either. One plays by the rules that rule. Everybody saw that it was foolish.” (Transl., Kaj)
Q: “Why do you think nothing was done about integration?”
A: “I can’t really say that. I think that its importance was underestimated and it was thought, that because we are the same company, it will take place by itself.” (Transl., Alpo)

Representatives of top management seemed to view this situation more as an evolutionary process, which took time and had to take time, a ‘necessary evil’ in a way.

“Afterwards it has felt like there has been too soft an approach towards them. It could be said that we tried to feed them thoughts and make them understand themselves, that ‘this was our own idea. Now we will implement it’. Not by force, but rather by wearing them down. Maybe it has been wrong in some cases.” (Transl., Erkki)

Q: “Why didn’t you go in and make changes from the beginning?”
A: “Well, you can ask yourself that. It was a process of maturing I guess which took much too long. It is easy to say that afterwards. Everything has taken too long.” (Transl., Åke)

Q: “But conflict, that could be felt were detectable in day-to-day business?”
A: “Yes, there were, and there always will be, because at the beginning the products overlapped and one has to live off these products. To change a product portfolio is a process of many years. There were clashes in the market. The management teams had the objectives of making the strategies and clarifying the division of labour, but clashes we had. And still have. One can never get rid of them in an organisation like this. There have to be certain tensions, but it is important that the activities don’t get destructive. The sales people complain that there is something wrong when the neighbour is on the same project as well. It does depend a lot on the person. At the beginning there certainly were more situations of internal competition. The product portfolio is being
renewed in such a manner that the overlapping disappears and the products complement each other.” (Transl., Antero)

“We thought it would be better with a soft introduction. It is hard to say if it was better or worse. We have not done it that other way, so we don’t know what kind of resistance we would have met and so on. I think that we would have won on immediately articulating much harsher what we really thought deep inside.” (Transl., Anders)

Situations can take time to develop and should probably be given time to develop. However, this does not diminish frustration with a situation. Even though it could be argued that former competitors are hard to merge without the competition continuing to some degree and for some time, the astonishment at this merger seemed to be rooted in the perception that ‘nothing was being done’ (about the internal competition) by top management.

**Merger contract-related aspects**

Another reason for the prevailing internal competition could be found in the mind-set towards the merger that the joint venture agreement could have evoked at least on the ‘Dutch side’. As I quoted above earlier, it states as an objective of the merger;

“…to secure the continuity of the activities of SWD as an independent company in the development, marketing, manufacturing and after-sales service of diesel engines.” (Joint venture agreement, article 2, p. 7)

The agreement, as also mentioned above, has other clauses delimiting the content of this sentence. One constraint might be, for example, that the business plans and budgets of Stork Wärstilä Diesel had to be approved by Wärtsilä Diesel. Nevertheless, to me
these seem to be strong words. Stressing ‘SWD as an independent company’ particularly (and playing down or prevaricating about the other clauses later either explicitly or just internally to oneself) could legitimise competitive behaviour significantly. It gives permission, in a way, to prioritise what is best for the product company Stork Wärstilä Diesel, even before the good of the whole group. Also, it emphasises the continuation of the identification with Stork-Wärtsilä Diesel as a separate unit for its employees. (cf. Malekzadeh and Nahavandi, 1990)

“I strongly believe in the fact that the way a company is organised, legally, has a lot to say about where that company is going. Because I think the, let’s say the decision power is rooted in the structure of the organisation. And if you know the decision power and the structure you get a more clear picture of where are we going and what are the forces. So, I was immediately very interested in how that was and, of course, checking and looking and asking, how is that set up. And… well, the merger in 89 was, because that’s what a lot of guys in Holland told me, was quite special because of the fact that our Board of Management did not have to report to the shareholders but to a Board of Directors. And that’s a totally different situation. Meaning that the influence of the shareholders, although they had 60%, was less than would have been the case if you had only one president reporting to the shareholders. Because then the, let’s say the role of the Dutch part of the organisation would have been minor, in my opinion. But somehow this was agreed upon in 89. And… And I also remember that a lot of Dutch people were proud that they organised it like that. Because they still had the idea that they had their own identity. That they were not fully taken over by the Finnish people. Because they still had a buffer of Board of Directors between the shareholders and the Dutch organisation.” (Ruben)

The division of ownership with its inherent identification and loyalty aspects described above cannot be argued to
have diminished the perception and experience of Stork-Wärtsilä Diesel as a separate and independent unit within the group.

**Individual competition**

‘Competitor heritage’ in the form present in this case can also be examined from an individual level. Sales are in the end a person-to-person communication. Within Wärtsilä Diesel the sales were organised according to the different products before the change in 1995/1996. This evidently led to ‘confrontation’ between the same salesmen from the different product companies in their everyday sales work, in the same markets, at the ‘same’ customers as before the merger.

“…it has nothing to do with Wärtsilä and SWD, it has to do with two or three or four specific guys, who are playing the best guy in class.” (Henk)

“The stubbornness really personified a lot in [name of the person], he was an extremely good salesman, and still is. […] And he was completely loyal to his own organisation, slowly he become more close and was a really good pal with all of us, but as soon as our ways parted and we said good bye, he went in his own direction. Whether or not something was agreed… it was not how it was done.” (Transl., Alpo)

An individual in a leading position will want success for her or his unit. Additionally, the individual will want to do as well as possible, because of her or his own career and career possibilities. The danger in a situation of interpersonal competition in a setting like the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel seems to be that if people compete with each other, they set an example to the rest of the organisation. This goes for individuals in high positions in particular. The attitude toward business in general and the situation at hand in particular seems
to be communicated through the behaviour and the actions of (these) individuals.

“The previous top man of this company [Stork-Werkspoor Diesel], who initiated as a matter of fact this and also supported the whole merger and the negotiation process and signing the joint venture agreement, as such knowing that this was the best strategic decision for SWD:s future, had a hell of a big troubles with carrying out the process. And that has caused some frustration, I think, within the group. He was a very strong personality, by the way, and was not able or...or...or mentally willing to give up the identity as being the top man of this company and not reporting to anybody else. And expressed it in the way of doing and behaving. And I can...I can guess that it has caused some delay in the process of integration and co-operation. Quite some substantial time.” (Bert)

A competitive attitude towards doing business in general is most certainly beneficial. In a merger setting, however, this kind of attitude can become obsolete, because a former competitor is suddenly a member of one’s own company. Attitudes can be changed, because they are learned. The attitude itself is argued to be secondary to a change, the emotional roots of the attitude and their depth seem to be more important in this respect. (Statt, 1994)

“Although we fought before we joined as competitors and recently after that we took quite a couple of nice jobs that Wärtsilä should have had. That is fun, I mean, and it is a part of the game, that competition.” (Bas)

The problem of internal competition has been described above. It evidently taxed the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel heavily. The main roots of this problem area seemed to lie in the heritage of competition between the two companies as well as the initial organisational structure, especially with regard to the power plant sales organisation. Also, competi-
tion between individuals seemed if not to cause then nevertheless to intensify the internal competition. The mind-set for the internal competition to prevail as ruthlessly as it did seemed to originate in the contractual set up of the merger, setting the stage for the Dutch unit to be continuously regarded as separate from the rest of the group. The management of the situation in turn seemed to be blamed for the continuation of the internal competition for as long as it did. The internal competition and some of the other main problem areas of this merger evidently shared some of the aspects they were rooted in. Therefore, the remaining problem areas will be examined before summarising the findings and describing how they influenced the continuation of this study overall.

‘MERGER TERMINOLOGY’

The problematic aspect of the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel described and analysed in this section relates to what is called ‘merger terminology’ in this study. In order to explore this issue, its background will need to be elaborated on. As mentioned above, the merger was called a merger in all company communications. Nevertheless, the contract on this merger was called a joint-venture agreement.

From the point of view of Wärtsilä Diesel’s top management this organisational change seemed to have been called a merger because it fits the legal, official definition of what a merger is and what its characteristics are. If an acquisition is agreed upon by the management of both merging companies, approved by shareholders and legalised in a contract, it constitutes a merger. In this sense, a merger is a specific form of acquisition, just as a takeover is another kind. (Frommer, 1998a) However, the terms merger, acquisition, takeover and joint venture were all used to describe the organisational change that had taken place (at the time of data collection, i.e. over 8 years after the merger). Often
they were used interchangeably, even by people who had been directly involved in making the deal. The quotes below illustrate the terminology ‘confusion’ that seemed to have prevailed at the time the interviews where made for this study among members of Stork Wärtsilä Diesel at middle and top management levels.

“… so the joint-venture or the merger or the takeover, whatever you want to mention it…” (Bert)

“And I think in this merger or takeover or how you call it…” (Karel)

“So in 89, when the negotiations started in the summer with Wärtsilä Diesel about a merger or a take over, whatever name you would like to give it…” (Willem)

The terminology used by interviewees when they talked about the organisational change they had been part of seemed to imply a number of things. For one, there seemed to be confusion in terms of what the different terms stood for. Secondly, bewilderment on why this merger was called a merger seemed to prevail. Also, it seemed to entail differing viewpoints on what terms should have been used.

On the ‘Finnish side’, the merger seemed to be perceived as a takeover for the most part. The general perception seemed to be that ‘their’ company had bought a majority holding in another company, i.e. Stork-Werkspoor Diesel, and the matter seemed to be regarded as being as simple as that. So they perceived themselves as the acquirers quite clearly. The interesting feature of this perception is that a merger was apparently not seen as a form of acquisition, but as something ‘less’ than a direct acquisition.

“I don’t think I look at it as a merger, instead we bought 60% of Stork-Werkspoor… as a matter of fact we bought the share of the Dutch government. And… we were interested really in broad-
ening our business and growing. We were interested in buying direct market shares on certain markets. We were interested in buying a service volume and quite simply interested in buying up a competitor.” (Transl., Anders)

“And it is really like that that one should have implemented a system where one puts in one’s own controller and also own director – as it was a takeover. Because it was really clearly an acquisition.” (Transl., Åke)

“It was a little surprising that only 60% were bought. There the question has been put forward many times. ‘Why not the whole?’” (Transl., Pontus)

On the ‘Dutch side’ the merger had been ‘sold’ as a joint venture at the beginning and even at the time of data collection was regarded as having been, if not a joint venture, than at least a merger. Again, a merger did not seem to be regarded as an acquisition in a takeover sense. Under no circumstances did representatives of Stork-Wärtsilä Diesel seem to regard this merger as a takeover.

“It was quite funny that the Stork people talked about a joint venture and Wärtsilä talked about a takeover. [...] At that time the word merger was not running there. It was a joint venture, they said from our side.” (Bas)

“Also a lot of Finnish people don’t know that we are still 40% Dutch. They just don’t know. They think, ‘oh, I thought that was already settled years ago, that you are now a 100% Finnish company’. No. A lot of people don’t know that.” (Ruben)

**Effect on post-merger integration**

When merging parties seem to have a differing conception of what kind of a change they are actually involved in and
even give this change different names, then the definition of the change regarding its content and form seem to differ accordingly. The assumption that the implementation of the change, in this case post-merger integration could be influenced by the difference in perception and conception is not hard to make. The different terms used in this merger seemed to have had a negative effect on integration because they were given varying definitions and content in terms of attitude and behaviour.

“The difference was that the Finns saw it as a takeover and the Dutch saw it as a joint venture. I think that is... I think it is a major difference, because in a joint venture you work together. [...] I think it is far better... even if it is a takeover, to talk from the point of view that it was a joint venture. Because that is a very... far more positive approach.” (Rudi)

The whole act of buying, i.e. the acquisition part of the deal did not seem to correspond with what some people understood a merger to be. It seemed as if a merger was not perceived as having much to do with one company buying another in order to incorporate it into its organisation. This evidently had an effect on the perceived necessary degree of integration, thus, for example, ‘justifying’ the independence of Stork Wärtsilä Diesel from Wärtsilä Diesel. On the other hand, as the ‘Finnish side’ of the merger was accused of not really ‘marching in’ and becoming visible majority owners during the first years of the merger, this did not seem to correspond with the idea of what should happen in a merger either. This evident incongruity is not surprising considering the confusion about terminology by and large. How can this terminology problem and its inherent paradoxical nature be explained?
Explanations for terminology differences

The confusion about the terms and about why the merger was called a merger could be explained by confusion on what the terms actually stand for. The expectation a word such as merger seems to cause when applied to an imminent organisational change could be significant because there are three related terms seemingly meaning almost the same thing. According to my own investigation into acquisition terminology (Frommer, 1998a), people tend to differentiate between merger, acquisition and takeover according to what could be called a ‘hostility continuum’ or ‘positivity continuum’. A merger is seen as the most positive, least hostile of these organisational changes. Acquisition in turn seems to be more neutral, the term takeover again is connected with the highest degree of hostility and negativity. A joint venture in turn would be placed on the more positive side of a merger, i.e. incorporating more positive characteristics in terms of equality and co-operation between partners.

What is more important than the actual and ‘correct’ definition of the terms in use in this case, however, is the emotional undertone related to the terms used and the origin of this emotional connotation.

Q: “Why do you think it was perceived so differently as a takeover from the Finnish side and as a joint venture from the Dutch side?”
A: “I think it has to do with pride, of course, first of all. And secondly, looking back we were not in the position…of course…in fact our project organisation was at that time the same size as the project side of Finland. So we were equals. However the company was…we had an obligation from the Dutch government to join, to find a partner. And when Wärtsilä came they took the opportunity, I think it still was the best way to do it. And I think the way you sell it, of course, is important. If you tell everybody it was a joint venture…maybe…I don’t know how it was…eh, told to the people in Finland.” (Rudi)
For people at Stork-Werkspoor Diesel the merger cannot have been an easy setting; being acquired did not seem to be easy, being acquired by someone who seems of equal size or, in some respects, even smaller and ‘lesser’ (even ‘younger’) than oneself evidently raised mixed feelings and fostered resistance. Public relation aspects also seemed to be of significance in this setting, in terms of not ‘losing face’ on the market. Therefore, communicating the merger as a merger or as (even more ‘positive’) a joint venture did not seem to transmit the picture of having been acquired, with the prospect of possibly being shut down. The whole set up, when termed merger or joint venture, implies less of a likelihood of the feeling of inferiority raising its ugly head.

For the people on the Finnish side of the merger, the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel was ‘just another one’ in a sequence of acquisitions. ‘Their’ company had bought another company, so historically seen their perspective was, naturally, very different from the perspective of their Dutch colleagues. Additionally, people on the acquirer’s side seemed to focus more on the comparably poor state of Stork-Werkspoor Diesel, as this company’s figures were not as impressive as those of the growing Wärtsilä Diesel. The merger, perceived as a necessity for Stork-Werkspoor Diesel’s survival, made the Finnish side of the deal the rescuers, the strong ones, and, ultimately, the ones who were ‘superior’. These aspects all seemed to contribute to the merger being interpreted as a takeover by the majority of the acquirer representatives.

Linking the existence of the joint venture agreement to the problem of terminology in this merger, it would seem understandable that it did not diminish the muddle. It certainly seems to explain why the term joint venture was circulating in the Netherlands at the time of and some years after the merger. Additionally the ownership structure after the merger seemed to complicate the situation to some extent as well. Wärtsilä Diesel bought 60% of Stork-Werkspoor Diesel, with 40% remaining with the former
owner Stork N.V. The 60-40 division seemed to be clear and understood at the time of the interviews for this study, but apparently this had not been so from the beginning.

“the…the…joint venture, or whatever you may call it…it is still a 60-40…” (Bas)

Q: “What do you think that the expectations were from Stork’s side, when you then went there for the first times at the beginning of the 1990’s?”
A: “I don’t know if they could be called expectations. I don’t think they were expectations… it was really first discussed, who bought who really out loud…” (Transl., Alpo)

For one, the ownership division seems to have complicated loyalty and membership issues for the employees of the Dutch organisation. On the other hand, it seems to have caused bewilderment on why there was a minority shareholder, especially on the Finnish side of the group.

In light of the confusion and bewilderment regarding the terminology issue in this merger, it seems that it was not communicated why this merger was called a merger, why the joint venture agreement was called a joint venture agreement and why Wärtsilä Diesel’s holding in Stork Wärtsilä Diesel was only 60% (until 1999). The ‘why’ question posed above leads to aspects of merger management. Before discussing the management of this merger generally, however, a particular aspect of management will be described. It evidently seemed to have a somewhat detrimental impact on this merger and its post-merger integration.
TOP MANAGEMENT AT STORK-WERKSPoor DIESEL

As mentioned above, there seems to have been a challenging setting at the beginning of this merger on the top management level of Stork-Werkspoor Diesel. The merger seemed to be welcomed by top management of the acquired company at first, but representatives of the acquiring company and some representatives of the acquired company seemed to perceive its resistance to integration as substantial later on.

“And of course, now, last year when we had this, we call it integrated sales organisation, first time since last year, that sort of feeling of competition is gone. That took 6 years, just because I think we should have managed it differently, we should have been open. We from our side, from Stork’s side should have been more open, but our management was... I don’t know. I mean they were flirting and marrying but nothing else, that’s funny. Why marry? If you don’t want to have offspring?” (Vincent)

The top management level of Stork-Werkspoor Diesel comprises the managing director and to some extent his management team that were ‘inherited’ from Stork-Werkspoor Diesel in the course of the merger. To what extent the managing director’s team was part of the setting is not easily definable because of rough generalisation of the whole affair by interviewees due to the retrospective nature of the data. An investigation into this side of the theme would not serve any useful purpose either, not for this study or in general. The important feature of this ‘problem’, as with the other problems connected with this merger, is that it seems to have been experienced by organisational members and it seems to have been disadvantageous in terms of integration. Instead of focusing on who would be to blame it seems more fruitful to investigate the possible reasons for the existence of this setting, because this provides a way to understand and thus become more aware of the patterns that evidently caused the situation to occur.
Effect on post-merger integration

The managing director of Stork-Werkspoor Diesel naturally played an important role in the merger of ‘his’ company with Wärtsilä Diesel. He took part in the negotiations and co-signed the joint venture agreement. He apparently had a positive attitude towards the merger in general, because of the overall situation of the company at the time of the merger. As mentioned above, it had been through a period of decline and the owner was not very interested in investing in or continuing its diesel business. So a partnership of some sort seemed to be necessary for the company to survive. After the deal had been completed, however, it seemed as if the managing director had an undesirable effect on the cooperation with the acquirers in terms of integration into the Wärtsilä Diesel organisation.

“And then he started to talk inside the company, well, let me say it diplomatically, in less favourable terms about ‘those Finns’. And then with this particular type of character, with this particular type of style, with this kind of sayings and signals given to the organisation… I mean the whole organisation didn’t dare, they basically didn’t dare to think differently than the managing director.” (Willem)

Q: “Did you notice that there was doubt as to the ownership situation?”
A: “Well… not, not like that, but at the beginning it was done a little wrongly from the Dutch management’s side. We were not informed that Wärtsilä bought, instead it was said that it was a merger. People went around with the impression that it was Stork that bought Wärtsilä. It was the other way around. Therefore understanding was delayed.” (Transl., Staffan)

An organisation’s leader has an influence on the organisation she or he is head of by and large, as the process of leadership includes leading other people in order to reach particular objec-
atives in a group effort. A leader influences her or his organisation also during merger activity. (Mirvis and Marks, 1992) In theory, a leader’s impact and possibilities for influencing her or his organisation as a ‘social architect’, (Bennis and Nanus, 1985, Tichy and Devanna, 1990) through stimulating her or his subordinates subconsciously or consciously (Zaleznik, 1989) and through setting and example seem to be widely acknowledged. (see e.g. Bass, 1990, Bennis and Nanus, 1985, Manz and Sims, 1989) Evidently this can also happen in a negative sense.

“So… so… so the culture that we have seen changing is one of a very hierarchical kind of organisation, I mean, here you got the boss, he’s God, OK, and then a whole time you have nothing, and then you have a few guys that are… that are important, yes, because they have to run a business area, but they’re not that important. But what they will do, automatically, if the boss’s style is the accepted style, they will start mimicking him. So, if I have a boss that is highly, highly, highly, highly, autocratic and hierarchical in his approach, I’m going to do the same thing, because this is apparently the model for success, right? Why would I invent something new if apparently, he got to the top behaving this way and running an organisation like this. So… and certainly in what I call the survival period, in which they had to come back, I mean the best thing to do was act like the boss.” (Willem)

Due to the inherent visibility and influence coming with his position and due to his independency coloured attitude and behaviour regarding the merger, post-merger integration of Stork-Wärtsilä Diesel into Wärtsilä Diesel seems to have been affected negatively. The situation seems to have improved in 1991, when a ‘new’ managing director for Stork Wärtsilä Diesel was appointed. He came from outside the company and outside the diesel business altogether.
Explanations for the effects on post-merger integration

There seem to be several possible reasons that brought this situation into existence. First of all, the personality and leadership style of the ‘original’ managing director of Stork-Werkspoor Diesel seemed to have had its influence. The man who was managing director of Stork-Werkspoor Diesel and for a couple of years of Stork-Wärtsilä Diesel was described as very autocratic. He seemed to have been a ‘boss’ of the hierarchical sort, insisting on all information about everything at all times. Nothing seems to have been decided in the company without his knowledge.

Secondly, it seemed to be hard for him to give up the former independence of Stork-Werkspoor Diesel. He seemed to cling to the independence of the company and seemed to be concerned about taking care of the minority shareholders’ interests. This he was said to have declared openly at meetings. To some extent this attitude display was condemned and rumours circulated as to why he could have this attitude in the first place. One explanation was that he must have had some kind of special contract. Rumours such as this seemed to help the members of the corporation affected by this situation to understand why this situation was tolerated and nothing was done until 1991. In addition, the ‘original’ managing director of Stork Wärtsilä Diesel seems to have been a ‘company man; he had over 30 years of service within the company, 6 of which as managing director. The change of management in 1991 when a ‘new’ managing director for Stork-Wärtsilä Diesel was brought in from outside the company seems to be another one of the significant ‘success factors’ of this merger. The ‘old’ managing director of the company retired at that point in time. Unfortunately, he could not be reached for an interview for this study, so his side of the story could not be taken into account. It seems necessary to mention this for the sake of keeping in mind that the ‘reality’ described here is gathered from the description of
the interpretations of individuals’ perceptions of ‘their realities’, though not his.

A third reason for the situation having developed into what it was can be found in the fact that the corporate identity of Stork-Werkspoor Diesel seemed to have been disrupted by the merger, and the managing director evidently tried to resist this disruption. As discussed in chapter II of this study, there is a tendency among members of an acquired company to resist the introduction of new procedures, new personnel and such, because a fear of losing identity seems to set in. (e.g. Tessler, 1990) The ‘old’ company’s image and status have provided identification for its members so far. A sudden change disrupts the process of identification and introduces uncertainty and the unknown. The managing director of Stork-Werkspoor Diesel apparently did not feel it was necessary or justified to give up the status and thus the identity of his company. Considering his role in the company before the merger, this is seemingly understandable. He had ‘saved’ the company over a period in the red and more or less from bankruptcy, put it back into black, had implemented some streamlining reorganisations during that time and turned the company around in a way that was perceived as being attractive for a partnership. One interviewee described the situation in terms of the company having been ‘his baby’. In this light, it is understandable that the emotional attachments of a leader to her or his company can become quite strong. Emotions cannot be separated from organisational life. Human beings come as package deals, including their emotional life. (Statt, 1994) In this situation we evidently deal with pride and fear, leading to identification and protection.

Another facilitating factor for the emergence of this situation could lie in the area of individual perception of this merger created by the terminology employed to describe it. Also, the joint venture agreement seemed to provide a tool to justify the chosen standpoint regarding the merger. The objective of the joint venture agreement or any of its other statements was not encountered
explicitly in the interviews conducted for this study. Even if the content of the joint venture agreement was not known to anybody except the ones who made the deal, the attitude and behaviour born out of a perception of a ‘joint venture conception’ may be communicated within an organisation and thus ‘cascade’ into it. This seems to have been the case to some extent. The former managing director of Stork-Werkspoor Diesel and Stork Wärtsilä Diesel could have interpreted his situation as being fully justified in trying to preserve the independence of ‘his’ company, because it was stated as an objective in the joint venture agreement. Additionally, the ‘takeover’ behaviour of the Finnish side of the merger could have caused irritation on the Dutch side, as it did not seem to be in line with their ‘joint venture’ perception of the deal.

“So, I’m saying again, it’s not Wärtsilä only, it was definitely the top management here in Holland that was absolutely reluctant to even pronounce the name Wärtsilä and the Wärtsilä group, which was very arrogant saying that they were the best and they had the best products and that’s not very nice to say that to people who are trying to sell their products as well. So it was a combination. If they would have done the sales integration or the integration, we call it sales, which is wrong, the integration of the two units in all respects, like we are doing now, joint sourcing, using each other’s people… human resources, making Dutch people equally responsible to sell Finnish products. It would have saved us a lot of misery.” (Vincent)

Generally speaking, the whole set up with the original top management of Stork-Werkspoor Diesel does not seem to be uncommon in mergers;

Often an existing organisational leader is identified as a champion of the status quo who will successfully fight to preserve the established identity and culture of the company. (Cartwright and Cooper, 1992, p. 40)
According to Walsh (1988), the turnover rate of an acquired company’s management is higher than ‘normal’, specifically for highly visible individuals. These research results were limited to the US, but they could be argued to highlight not only the fact that an acquired company’s management tends to be laid off frequently (especially in American companies), but also that it might be more inclined to leave given the difficult situation it is put in. Marks and Mirvis (1998) point out that acquired CEOs are evidently prone to having difficulties with adapting to the changed circumstances after a merger, provided they remain in the exact same position they had before the merger.

...failure are often characterized by the presence of old or conservative managements who will not, or cannot, change. (Kitching, 1967)

The turnover rate at Stork Wärtsilä Diesel within lower management did not seem to be very high, either before or after the merger, and job rotation among management was minimal between the two merged companies. The only managerial changes that seemed to have been thought of as significant at the time the interviews for this study were conducted were the change of the managing director discussed above and a change of the head of the power plant department in the Netherlands in 1997, when a Finnish representative of the Wärtsilä Diesel organisation was put in charge for two years.

“Really we should have had more expatriates in Zwolle.” (Transl., Staffan)
‘TIME LOSS’ AND POST-MERGER INTEGRATION MANAGEMENT

A general interpretation of the shortcomings of the merger between Wärtsilä Diesel and Stork-Werkspoort Diesel was that of time having been lost or wasted at the beginning of the merger process. The underlying interpretation of the ‘time loss’ aspect of this merger seems to be the experience that top management was not decisive enough from the beginning of the merger in taking ‘integrative measures’, i.e. implementing the merger and its post-merger integration.

“It really starts from top management, that they did not take the decisions that should have been taken and put the right people there immediately. The first things should of course have been the financial reporting and business area divisions the way they were done with us, so that they would have been under control there as well and we would have got some control there. Apparently it would have been necessary to get a few key leaders there from Finland sort of to lead it, then it would have led somewhere. It was quite clearly a mistake.” (Transl., Mika)

“I don’t think the Dutch were so very negative towards the process. On the contrary, what I have heard, they were waiting for somebody to come and say ‘this is how we do it’. I think that they had a difficult situation earlier. They know that Wärtsilä had bought the company and we were growing here more or less very rapidly and had a good result… they did not have the same result and not the same possibilities. It has to become a feeling of insecurity like ‘what is going to happen with us’. (Transl., Kaj)

“Well, the Finns really never came. I have to say they were very, very friendly, and I think they had, well, lesson is learned, OK? I think they took way too long time to change … they should have been a little bit stronger. Saying OK, guys, now listen, we have 60%, if you’re not willing to listen, we are going… we want it to be done, and if you do it this way it’s OK, if you don’t do
it this way, you’re out. OK? I think that cost at least, at least…. No, at least two years. Two and a half years maybe. In the whole process.” (Willem)

This ‘shortcoming’ experienced in this merger is linked to the other problem areas discussed above. Internal competition was interpreted as ‘having been allowed’ to continue, as people did not perceive top management as having intervened before 1995/1996. The terminology used in this merger and the ownership structure was perceived as having been what it was, but not without bewilderment and even confusion about their explanation (or lack thereof). Also the situation with the ‘original top management’ of Stork-Werkspoor Diesel and its disadvantageous impact on post-merger integration seemed to be attributed to a deficiency in merger management. Additionally, the Dutch unit was perceived as having been ‘left in the dark’. This seems to have caused anxiety and insecurity. In the next section, the evident effects on post-merger integration of this perceived deficiency are examined.

Effect on post-merger integration

The effects of not taking sufficient integrative measures after a merger is made official are a delay in, and even stagnation of, the integration process. This is how the representatives of Wärtsilä Diesel and Stork-Werkspoor Diesel interviewed for this study evidently interpreted them. A part of the integration delay in the acquired company seemed to set in because the members of this organisation developed a feeling that they could actually continue as before the merger.

“Now, the first, 1990, 1991, were totally lost…. Totally lost, even worse, because of not doing something in those two years, you might even have lost more time, because people start to feel comfortable that if you fight against something, than you
apparently can be successful. Which only makes it even more difficult to change. So that’s… let’s say that’s two years, maybe two and a half years, so then, finally, you start working on…. On changes, and changes of attitude and those kind of things, and that takes another two and a half years, minimum. So I would say, a real change process like this you can do in three years time.” (Willem)

“It is just… if one looks at a process like this, when one takes over, then there comes insecurity and a certain… You can also create a false security if you don’t do anything. That ‘yes, it will continue as before’. If a company is bought and is changed quickly, then it can come as a shock. Like I said, I think that everybody at least from this end [Finland] thinks that we should have done it more quickly. From the beginning gone in and structured the organisation structure and the way of working. We should have synchronised that from the beginning.” (Transl., Pontus)

“If one undertakes a merger then the decisions should be made as soon as possible. If they are stalled, it leads to the situation that the ones who have merged into the group notice that they can continue approximately as they have before.” (Transl., Antti)

Especially on the acquirer’s side, the perceived lack of post-merger management and implementation seemed to cause substantial frustration. There seemed to be frustration at the stagnated situation, but also frustration, because top management seemed to take no (visible) actions.

“Yes, but why do it the other way around every time? It can be done in a faster way. It was also really strange that when I came there [to Holland] people came and asked me why in hell didn’t Wärtsilä do something about this company earlier? Why didn’t anybody go at it? They [the Dutch] were waiting for it.” (Transl., Staffan)
Q: “How did this [internal] competition feel?”
A: “You mean earlier?… We all thought that it was stupid, but we could not do anything about it either. It did not solve anything to think about it either, one plays with the rules that exist. Everybody saw that it was stupid.” (Transl., Kaj)

The company most likely lost momentum in and commitment towards the merger because of the substantial frustration at the evidently stagnated situation. How damaging the perceived insufficiency of post-merger integration management was is naturally hard to establish in retrospect. For the purpose of this study, it is more fruitful to recognise that it was experienced as impeding integration in this merger and go from there to examine and understand how a situation such as this comes about.

Explanations
The integration of Wärtsilä Diesel and Stork-Werkspoor Diesel seems to have been perceived as stagnated or not fast enough because interviewees felt that an initial overall plan for the integration of the two companies was missing. Also they seemed to experience that there was not enough actual decision making during the first year(s) after the merger. The general estimate was that several years of the post-merger process had been ‘lost’.

Q: “Was there a time schedule?”
A: “There was surely one at least during the planning phase, but they were never that fixed. I don’t think they were followed up either. I absolutely don’t want to blame anybody, because one has been a part of and seen that. But in the end it should have happened significantly faster. It would have been best for both parts. It would have cost more at the beginning and the result [of the group] would have been worse, but in the long run it would have been a completely clear solution. That is clear.” (Transl., Olof)
If there was some kind of underlying plan combined with a time schedule that would have guided the post-merger process from the beginning, it did not seemed to have been communicated. Apparently there was no single person or a team appointed to take care of and be solely responsible for the post-merger process as a whole. The lack of a coordinating organ could have accounted for things being left to themselves for too long. The whole way of managing the post-merger integration in this merger seems to imply a *laissez faire* kind of attitude from Wärtsilä’s top management.

“Instead of believing that an organisation like this will start to function by itself one should take a decision that maybe five years ago would have been a tough decision. Maybe somebody would have to leave, but one should take a tougher line instead of ‘wait and see’.” (Transl., Magnus)

*Laissez faire* is, however, not the only possible explanation for the occurrence of ‘management inactivity’, even though the perceived lack of management can be interpreted as such and can thus be disadvantageous to commitment and loyalty towards an organisation. As Löwstedt (1986) points out, it seems to be a usual experience within change management generally that it is more difficult to achieve the projected or planned objectives of the change than anticipated at the beginning of a change process. Simultaneously the anticipated input or work for implementing the change remain underestimated. (idem) Inexperience with mergers could contribute to an underestimation of how long post-merger integration would take and how much work it would take. Yet another explanation seems to be that during the years of the post-merger integration of the merged companies Wärtsilä Diesel and Stork-Werkspoor Diesel until 1997, the company as a whole was experiencing growth and business in general was going well. As Vaara (1999) points out, when business cycles are favourable at the time following a merger, a false sense of the health of the company and merger can arise. When the company overall is gen-
erating a profit and growing in spite of the problematic aspects in a merger discussed above, the need for intervention is not as pressing as when business is slow. Also, the view of the management of a merger and post-merger integration as an evolutionary process that was mentioned above can have given rise to a more reserved management style. Yet another explanation could lie in the area of ‘shyness’ and a lack of self confidence.

Q: “Could it be said that there was some kind of shyness after ‘89?”
A: “There was… for sure but it originated partially because we did not really have a clear concept of the situation, we had not been in it before… We remained a little too much in place to see where things were going… and fix it later. […] …completely unnecessarily we let it be, because it was known that we should have done this, but in a way we were too shy there and thought “is this concept the right one now, the one we are forcing from Finland?”. And then the Dutch resisted with blood and tears, if somebody tried something.” (Transl., Alpo)

Q: “When you look back on the whole merger process, are there things that should have been done differently?”
A: “Those kinds of things we have discussed. If one was to sit here with the result in hand, then I think that one should not have used silk gloves too much, but one should have changed the boss once it became obvious that he was against and not for us. One should have put a Scandinavian in his place for a while and implemented all changes we needed and put two years on it instead of letting it go on for too long. One should have seen to it that it becomes one corporate culture and not have allowed double corporate cultures and not allowed the competition that there was between the companies.” (Transl., Olof)

One should not forget when speculating about the possible causes of any kind of perceived (top) management inefficien-
cies that the situation and relations in a management team can also play a part in how this team looks to the outside world.

“Well, one should maybe articulate better right from the beginning what one wants to do with the company. It easily gets to be that one says one thing outwardly which one thinks that everybody wants to do it. Then one has a hidden agenda, which one really wants to implement. It is impossible to implement if one does not simultaneously communicate it in that manner.”

Q: “Did that happen in this case?”
A: “I would say that.” (Transl., Anders)

Considering the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, there are not sufficient data on the relations within the top management team of Wärtsilä during the years of the merger. This is largely attributable to the retrospective nature of this merger’s data. For now it is time to summarise the results of the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel and examine what their impact was on the study of the merger between Wärtsilä Diesel and New Sulzer Diesel.

**PRELIMINARY RESULTS AND IMPACT ON FURTHER STUDY**

As discussed in more detail above, the main problem areas of the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel were the prevailing internal competition, ‘merger terminology’, the ‘original top management’ of Stork-Werkspoor Diesel and the perceived loss of time regarding the speed of the two merged companies’ integration.

The internal competition was generally seen as one of the greatest hindrances to post-merger integration. It seemed to keep the merged organisations in ‘separate camps’. Additionally,
it seemed to cause substantial frustration both in terms of its existence *per se* and in terms of the perception that the situation was not acted upon by management. That the internal competition evidently lingered on for many years after this merger seemed to be explained by several ‘causes’. For one, it seemed to originate in the heritage of competition between the two companies, as they had been direct competitors prior to the merger. Secondly, the organisational structure of the group at the time of the merger and in the first years of post-merger integration seemed to encourage the competition in general. The Product Factories were competing not only for investments but also for the ‘top position’ in the group in terms of business and profitability. The business areas, on the other hand, did not seem to have enough power at the time to focus on the business (area) as a whole and away from the Product Company bottom line. A third cause of the prevailing internal competition seemed to be management and the perceived lack thereof. This seemed to cause frustration regarding the internal competition as well. The top management of the group was evidently perceived as having let the situation continue for too long. The decision on and implementation of the integrated sales organisation within Power Plants in 1995/1996 were regarded as one of the success factors in terms of post-merger integration in this merger and seem to have been a highly necessary management measure. A fourth explanation for the internal competition plaguing this merger seems to have been in the nature of the merger agreement, called joint venture agreement. It seemed to foster a justification for keeping the Dutch company separate and independent after the merger, as it explicitly emphasised the continuity of Stork-Wärtsilä Diesel as an independent company. Another feature of the internal competition seemed to have played itself out on an individual level: the seemingly fierce competition between particular individuals within sales.

The second problem area of this merger, called ‘merger terminology’ in this study, was not discussed as a direct ‘prob-
lem’ of the merger per se by interviewees. Rather, the confusion and bewilderment surrounding the terminology employed in this merger with its closely related ownership division were significant. Therefore, this aspect of the merger was explored further. Overly simplified, the picture gained in terms of the terminology aspect was that the Finnish side of the merger regarded the merger as an acquisition or ‘even’ takeover, the Dutch side regarded it as a joint venture. All the while, top management of the group seems to have called it a merger. The explanations for these differing perceptions and interpretations of the merger can be found in different aspects. For members of the Finnish side of the group, their company’s acquisition history seemed to influence their interpretation of this merger in that it was ‘just another one’. Additionally, Stork-Werkspoor Diesel was generally regarded as having been in a comparatively poor state, making the acquirers into the stronger and superior partners in this merger, especially from their own view. Also, the members of the acquiring organisation were very much aware of the fact that their company had bought Stork-Werkspoor Diesel, so much aware that all of them did not seem to be familiar with the fact that there was a minority shareholder until 1999. For the Dutch side, the merger seems to have been interpreted as a joint venture because of the term circulating due to the joint venture agreement. Also, interpreting the merger as a joint venture seems to have been experienced as less ‘shameful’, as it does not include the notion of having been bought. The discrepancy in this situation was that the Finnish side was nevertheless accused of not directing or even taking control of the Dutch organisation right after the merger. This can at least partly be attributed to the retrospective nature of the data, as it seems to include speculations attributable to hindsight.

The third aspect that seemed to have caused some problems in this merger examined above was the ‘original top management’ of Stork-Werkspoor Diesel. First, it seemed to have welcomed the merger as a salvation and a new chance. Then it did
not seem to display much of an inclination to integration. Due to his visibility and position as a company leader, the influence of the managing director of Stork-Werkspoor Diesel seemed to damage integration, as he seems to have explicitly opposed integration. Many things seem to have contributed to the occurrence of this situation. The personality of the managing director might have influenced the situation. Issues of clinging to the status quo in terms of company independence and corporate identity also seem to have played a role. By and large, the perception and interpretation of the merger on the part of the managing director seem to have been that it was a joint venture and that the company was to stay independent. This problem is linked to the issue of ‘merger terminology’, the nature of the joint venture agreement and the ownership characteristics of this merger.

One of the most frequent observations by interviewees regarding this merger was that time had been lost regarding the start and speed of post-merger integration. The stagnation of the merger in terms of integration seemed to have caused frustration. The other problematic aspects of this merger seem to have contributed to this interpretation of the merger events. What also seemed to contribute to this observation were the perceived shortcomings of management in this merger. These included the perceived lack of a post-merger integration plan and the lack of decision making at the beginning of the post-merger integration process.

The results of the examination of the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel inspired investigative detours into the issues of

- acquisition terminology (Frommer, 1998a)
- emotions in mergers (Frommer, 1998b)
- the role of corporate identity in mergers (Frommer, 1998c)
- the role of corporate reputation in mergers (Frommer, 1999b)
Although these studies were interesting and shed light on the respective aspects of mergers and post-merger integration studied, they did not seem to be able to explain the surprise at some of the problem areas and occurrences displayed by interviewees in both the studied mergers. What seems to have happened in this merger was that the need for integration expected by the acquirers seemed to have been interpreted differently within the acquired company. This in turn might be rooted in a different comprehension of the merger from its start. Here we can refer back to the terminology issue discussed above; if the merger was seen more as a takeover by the Wärtsilä Diesel organisation, the need for integration was evidently perceived differently from what it would have been in the case of a joint venture (as it seemed to have been by the Stork Wärtsilä Diesel organisation). Also, the problem areas discussed above had apparently been surprising to most interviewees, even though it should be pointed out that none of them seemed to have the idea of completely problem free mergers in general. Differences in culture, for example, though frequently mentioned, both regarding national and organisational aspects, evidently did not cause extensive surprise. Surprise at why the internal competition had been so fierce and had been allowed to continue, surprise at the situation with the ‘original’ managing director of the acquired company and frustration about the time integration was perceived to have taken seemed to be among the more significant effects of the merger.

Now, after discovering the surprising sides of this merger, it is time to go on with the study of the merger between Wärtsilä Diesel and New Sulzer Diesel, the interview aide-mémoire being equipped with more questions. In order to be true to the chronological advance of this study, we shall therefore move on to the next merger studied at this point.
In this chapter, the merger between Wärtsilä Diesel and New Sulzer Diesel will be discussed. As stated previously, this merger led to the formation of the Wärtsilä NSD Corporation. First, general details on the merger and the merging companies are given. The evident reasons for the merger and its synergy potential are explored, before moving on to a description of its post-merger integration process and a description of the different units affected by the merger. With the stage set for this merger in this manner, a plunge into the problematic aspects of this merger and its post-merger integration follows. In the last section of this chapter, the findings are summarised and discussed.

The merger between Wärtsilä Diesel and New Sulzer Diesel was finalised in April 1997. At the time of the merger, Wärtsilä Diesel had production in Finland, the Netherlands, France, Sweden, Norway and assembly in the US, India and the UK. It had network companies in some 40 countries. The merger brought with it a 40% holding in Grandi Motori (GMT), a diesel engine producer located in Trieste, Italy. At the same time the R&D unit associated with Grandi Motori, Diesel Ricerche, was merged with the Wärtsilä NSD Corporation to 100%. As described above (chapter IV, section ‘organisational structure’), Wärtsilä Diesel was organised in a matrix structure at the time of the merger.

At the time of the merger Wärtsilä employed over 6000 people and its net sales for 1996 had been over 8,000 MFIM. New Sulzer Diesel in turn employed some 1100 people and had net sales of 684 MCHF (2,300 MFIM) in the same year. The figures for all merging companies for 1995 are shown in table 2 below.
Table 2: Figures for 1995 of merged companies
(source: “merger news 1”, intra-company newsletter)

<table>
<thead>
<tr>
<th></th>
<th>Wärtsilä Diesel</th>
<th>New Sulzer Diesel</th>
<th>Grandi Motori</th>
<th>Diesel Ricerche</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td>6000+</td>
<td>1175</td>
<td>1750</td>
<td>176</td>
</tr>
<tr>
<td>Net Sales</td>
<td>7000 MFIM</td>
<td>672 MCHF</td>
<td>426 BITL</td>
<td>28 BITL</td>
</tr>
<tr>
<td></td>
<td>($1600M)</td>
<td>($560M)</td>
<td>($281M)</td>
<td>($22M)</td>
</tr>
</tbody>
</table>

New Sulzer Diesel, with its headquarters in Winterthur, Switzerland (near Zurich), had a production company in Mantes-La-Jolie, France, at the time of the merger. Additionally it had its own subsidiaries in the US, the UK, the Netherlands, Germany, Singapore, Hong Kong, Japan and Korea. At the time of the merger it had licensed its engines to 19 producers in 11 countries. In addition to that, it used agents representing New Sulzer Diesel in the countries that offered attractive markets and lacked a New Sulzer Diesel subsidiary. Its management structure was divided into the activities technology, marine, power generation, diesel after-sales service and the administration activities of finance and controlling, licence contracts, human resources, corporate development. In addition, it had a division called international for its subsidiaries around the world. China was represented separately, as was sourcing. The structure is illustrated in figure 4 below.

As stated above in chapter III, this merger was studied for the first one and a half years of integration in 1997 and 1998. The data on this merger include 110 interviews with representatives from all involved parties as well as owner representatives. In this study, 37 of these interviews have been analysed in depth. For the selection of the interviews and a more detailed description of the data, please refer to chapter 3 and its section on ‘interviewee selection’. Most of the interviews constituting the main data for this
merger were conducted during 1998. Additionally to interviews, other supplementary data were used, such as company publishing and non participant observations of training sessions.

<table>
<thead>
<tr>
<th>New Sulzer Diesel</th>
<th>Finance &amp; Controlling</th>
<th>Technology</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Licence Contracts</td>
<td>Marine</td>
<td>China</td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td>Diesel Power Plants</td>
<td>Sourcing</td>
<td></td>
</tr>
<tr>
<td>Corporate Development</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 4: Organisational Structure of New Sulzer Diesel
(source: 1995 Annual Report of New Sulzer Diesel)

What can be observed when looking at this merger is a vivid and intense picture of dramatic, boring, tragic, spectacular, humorous and all together human occurrences enmeshed one with another to form a unique story with seemingly common undertones. Excitement about and suspicion toward the merger, considerable expectations as well as anxiety, fear and disappointment regarding its impact, outcome and the expected future following it can all be found. Misunderstandings arising from, bewilderment about and curious amusement at unfamiliar behaviour on the part of ‘new’ members of the organisation that people found themselves part of after the merger also occurred. All the above seemed to be coupled with inherited attitudes from the ‘life before’, the on-going struggle of trying to understand what was happening as
well as functioning on a daily basis within the frames ‘given’ by the merger related occurrences.

People told me about frustration with the merger and how much time it added to their ‘normal’ workload. They discussed disillusionment regarding the management of the merger and the integration process following it. They expressed surprise considering certain behaviour or communications they had either encountered themselves or heard about. This list could get considerably longer, but it will be restricted here in order to be able to get on with a more detailed description and analysis of the most intense and intriguing features of this merger.

MERGER REASONS AND SYNERGY POTENTIAL

WÄRTSILÄ DIESEL ACQUIRED New Sulzer Diesel in 1997 because it evidently wanted to expand its product range to include the 2-stroke diesel engine and because, due to circumstances described above, the situation of New Sulzer Diesel was advantageous for an acquisition. The circumstances will be described in more detail below. This merger is also characterised by a (partial) competitor relationship prior to the merger in the range of New Sulzer Diesel’s 4-stroke engines and overlapping products within the marine market.

Seen from Wärtsilä Diesel’s position the potential synergy of this merger seemed to lie in the following areas, according to interviewees;

- new business and markets (2-stroke engines and Sulzer 4-stroke engines especially strong in China, for example)
increased competitiveness through being able to provide marine customers with complete ‘engine packages’ (2-stroke engines and 4-stroke engines as auxiliaries)
- increased competitiveness through two well known brands (Wärtsilä and Sulzer)
- increase in market share
- increase in service volume (installed Sulzer engines)
- increase of know-how, addition of R&D
- addition of production facilities
- ‘elimination’ of a competitor through integration into Wärtsilä (mainly 4-stroke)

“… Wärtsilä was looking to complete their range of products with 2-stroke. So, they had a very strong interest in acquiring Sulzer, which they tried to acquire earlier, but as far as I understand they did not succeed, so this was a good opportunity to match… You know, it’s like a marriage. There must be an interest from both sides.” (Francesco)

For New Sulzer Diesel, the merger was necessary because the company needed to find an owner. Its owner at that time apparently wanted to rearrange ownership. The situation New Sulzer Diesel was in was the development of many circumstances, which will be described briefly below.

The history of New Sulzer Diesel starts if not in 1833, when the company Sulzer Brothers was founded, then at least in 1897, when Sulzer Brothers initiated the manufacture of their first experimental diesel engine. By that time Sulzer Brothers was a world famous manufacturer of steam engines. Rudolf Diesel had already approached the company in 1893, and in the same year Sulzer Brothers signed an agreement with him for the exclusive use of his patents within Switzerland. In Germany, Maschinenfabrik Augsburg AG, later to be MAN, had already started to build an
experimental ‘Diesel’ engine in 1892. Sulzer Brothers made a final licence agreement with Rudolf Diesel in 1903. Their first diesel engine out of serial production was shipped from Winterthur in 1904. Now Sulzer Brothers had its own diesel engine division. Diesel engines were produced mainly for ships and for locomotives. In the 1930’s Sulzer had a monopoly position due to its new diesel engine technology, which allowed the engine to reverse its direction without an additional gearbox and therefore made it very attractive for ship propulsion. Sulzer Brothers issued their first licences themselves before World War I, because it seemed more practical to produce the ship engines at the shipyards.

In 1983, when Sulzer Brothers celebrated its 150th anniversary, the corporation also made substantial losses. This led to restructuring measures. Sulzer International was formed as a subsidiary, of which the diesel division became part. In 1989 the corporation top management informed the employees of the diesel division that they had been sold to MAN B&W. At that point Sulzer Brothers’ top management did not seem to believe in the long-term recuperation of the diesel business. For the purpose of this deal the diesel business of Sulzer Brothers, which had been a product division within the corporation until then, was made into its own independent, legally separate company. Wärtsilä Diesel had been a potential buyer as well, but MAN finalised negotiations. This deal, however, did not go through because of the objections by the German anti trust authorities to its cartel-like position. Wärtsilä Diesel was apparently back in the picture after this, but history had it that a syndicate including Fincantieri and Bremer Vulcan became the new owners of New Sulzer Diesel. By November 1990 Fincantieri owned 42%, Bremer Vulcan also 42%, Sulzer Brothers 10% and the top management of New Sulzer Diesel 6% of the company. Its new name, New Sulzer Diesel was introduced. The ownership structure allowed the company to operate quite independently. Then Bremer Vulcan went bankrupt; Fincantieri managed to buy its shares and negotiations
with Wärtsilä Diesel started. In order for the deal with Metra to be possible, Fincantieri acquired the whole of New Sulzer Diesel, and in January 1997 the merger agreement was signed. In April the same year it was officially approved.

“It took quite some time, because first, we [former owner of New Sulzer Diesel] had to solve the problem of the German liquidator, which was not... the easiest part of the job. For Germany, it was like losing part of their prestige if they give up this type of thing. So, it was a huge political issue, which was connected with the creation of the brand new diesel factory, which was started by Bremer Vulcan before they went bankrupt.” (Francesco)

For New Sulzer Diesel the merger was said to have been a means to survival, as in the case of Stork-Werkspoor Diesel. This was, at least, how the majority of the acquirers perceived the situation. For New Sulzer Diesel the synergy potential seemed to have been more a question of gaining an owner who was interested and knowledgeable in the diesel business (in comparison to Sulzer Brothers). Being able to provide marine customers with ‘whole package’ deals was also, naturally, a synergistic aspect of the merger seen from the standpoint of New Sulzer Diesel. For the shipbuilder Fincantieri, again, the situation seemed to be that it was too strenuous to own New Sulzer Diesel on its own in terms of securing the future of New Sulzer Diesel. Thus, a partnership seemed to be needed. For Fincantieri, the opportunity of completing the merger with Wärtsilä Diesel was a means to secure the future of the brand Sulzer and the future of the companies Grandi Motori and Diesel Ricerche.

The set up of this merger was equally intricate as the one in the merger with Stork-Werkspoor Diesel. Even though Wärtsilä had become a global player by 1997 and was not regarded as an ‘underdog’ on the market any more, it nevertheless did not have any experience of the 2-stroke side of the business. This was New Sulzer Diesel’s area of expertise. However, New Sulzer Diesel had
not been growing like Wärtsilä, on the contrary. It had lost market share in the years prior to the merger. The Sulzer brand, however, was and still is very strong; sometimes it is referred to as the ‘Rolls Royce’ of low-speed diesel engines. These circumstances evidently set the stage for different and even contradictory perceptions of the two merging companies’ relations, which will be examined in more detail below.

**OWNERSHIP STRUCTURE OF THE MERGER**

**Metra and Fincantieri** agreed to join their respective diesel engine businesses through the creation of a joint company. Wärtsilä Diesel and New Sulzer Diesel were merged in 1997, creating the Wärtsilä NSD Corporation. The former Wärtsilä Diesel, the former New Sulzer Diesel and Diesel Ricerche formed the Wärtsilä NSD Corporation. Also, the Wärtsilä NSD Corporation acquired 40% ownership of Grandi Motori Trieste (GMT), 60% of which remained with Fincantieri until early 2000, when Fincantieri sold its remaining share. Figure 5 below illustrates the 1997 ownership structure in this merger.

![Diagram of ownership structure](source: Annual Report, 1997)

**Figure 5:** Ownership structure in the merger between Wärtsilä Diesel and New Sulzer Diesel.
(source: Annual Report, 1997)
This merger was communicated as a merger from its start. The terminology used in the merger related agreements did not deviate. The only exception was the separate agreement for Grandi Motori, which was called a co-operation agreement, apparently due to the different ownership structure. The term co-operation was not encountered in any way explicitly, however, neither did it seem to have caused an impact on the integration of GMT, as it was not mentioned in any of the interviews conducted for this study.

THE POST-MERGER PROCESS AND GROUP ‘ANATOMY’

NEGOTIATIONS FOR THE merger between Wärtsilä Diesel and New Sulzer Diesel started in 1995. In 1996, rumours about the merger seemed to have started to circulate in the respective companies. On the September 12th 1996 the merger had been announced officially within the companies to be merged and the parties had agreed on the new name of the company: Wärtsilä NSD Corporation. Thirteen task forces with different merger related foci were established, comprising more than 50 managers from all merging companies. The first intra company communication on the merger in the form of a newsletter called “merger news” was published (in English, Finnish, French, German and Italian) and distributed in November 1996.

The main agreement of the merger as well as the related shareholders’ agreement and the ‘co operation agreement’ for GMT were signed on January 7th 1997. It took until April 1997 to get approval for the merger from European anti trust authorities. The merger was officially announced as accepted on April 3rd 1997. The company’s name was changed to Wärtsilä NSD Corporation. A new corporate identity programme was rolled
out in conjunction with the name change. The new identity was described as being

‘based on the company’s strategy and will bring about the impression of a leading industrial company that delivers power plants and marine propulsion systems and is leading in engine technology’. (employee magazine WNS + vi, 1/97, transl.)

The name and identity change included a new logotype called “Wave of Power”, symbolising the company’s main markets, marine and power, both in its design and colour. The two ‘leading technology brands’ of the company, Wärtsilä and Sulzer, were emphasised in all communications. An internal launch meeting was held in Zurich on April 15th 1997, introducing and establishing the future vision of the Wärtsilä NSD Corporation for the top management of all the group companies (Product Companies, Network Companies, Business Area top management). Locally organised internal meetings were to follow this launch meeting, in which the vision was to be shared with the personnel of the respective group companies. In May 1997, the third and last issue of the “merger news” was published (solely in English) and distributed. Its content comprised guidelines for the (visual) identity of the corporation as well as news about the Zurich launch meeting. It also promised the forthcoming of a new, internal group wide newsletter, as it was stated explicitly in it that this was to be the last issue of “merger news”. The first issue of the new internal group wide newsletter was published in January 1998.

A group wide training course called EMERGE, which was specifically designed as an integrative tool for post-merger integration of Wärtsilä NSD Corporation, was started in 1997 and ended in mid 1998. All in all, some 150 executives of Wärtsilä NSD Corporation participated in this training, divided into 6 different groups. It included 2 x 5 days of project work and other activities within a time span of several months.
In terms of job rotation the merger seemed to get off to a slow start. In the Network Companies, some job rotation had been implemented as a natural continuation of the establishment of the respective companies. In the Product Companies in Europe, the picture seemed to be somewhat meagre, although it should not be forgotten that there was technical training taking place in all Product Companies on their respective products. In mid 1997, a Finnish COO (chief operating officer) was appointed to head Grandi Motori to work alongside the Italian CEO. Two Finnish managers joined Diesel Ricerche in September 1997 and January 1998. New Sulzer Diesel (Winterthur) was infused with ‘Finnish blood’ in July 1997 in the form of one manager. The new CFO of Wärtsilä NSD Corporation in 1997 (and until 1998) was a former New Sulzer Diesel employee. Since 1999, the Dutch unit is led by a Finn, i.e. a representative of the former Wärtsilä Diesel.

As mentioned before, the headquarters of Wärtsilä NSD Corporation were moved from Strasbourg to Zurich in mid 1997 and to Helsinki in 1999. The composition of the Management Board (MB) included 3 non-Finns (of 9 members) in 1997, one none Finn (of 10) in 1998 and 1999. In 2000, all members of the MB were Finns. The corresponding figures for the Board of Directors (BD) are 3 (of 7) in 1997 and 1998 and 3 (of 6) in 1999. In 2000, the BD of Wärtsilä changed substantially due to the incorporation with the former Metra and consists of Finns solely.

In order to show the extent of the merger and provide a picture of the different units all involved in this merger, what the merger brought with it in the different units of Wärtsilä NSD Corporation around the world will be inspected in more detail. First, the network will be examined, after that the unit in Winterthur, the sub-unit of New Sulzer Diesel in Mantes, the ‘Italian section’ and the part of the corporation residing in Finland. These seemed to have been the units most affected by the merger at the time of the study.
NETWORK

What is referred to as the ‘network’ within the Wärtsilä NSD Corporation and this study is the sum of all the Network Companies, i.e. the sales and service subsidiaries, through which the corporation has organised its market presence all around the world. As mentioned above, the corporation currently has some 50 network companies worldwide.

Group position

The Network Company is Wärtsilä’s local representation, meaning that the Network Company is responsible for Wärtsilä business in its local market. This is most often a country or region made up of several countries. The position of a Network Company within the Wärtsilä NSD Corporation seemed to be characterised by closeness to the market and close contact with customers.

Network Company representatives spoke of the inherent power relation between the Network Company and the Product Companies and the difficult position they had in this set up. The experience seemed to be that the Product Companies had the final say in deals and projects. The power of the Product Companies showed itself when discounts were determined, for example.

“That has been a… I believe that has been one of Wärtsilä’s really big minuses, this… contrasting relationship between the product companies and the network companies.” (Transl., Bertil)

From the view of the Network Company this situation seemed to be regarded as a waste of resources because of overlapping functions, in sales, for example. Also, Network Company representatives felt that they had more to offer than what they were used for in the group. There seemed to be another feature to the relationship between the Product Companies and the network, however, a feeling of being reduced into the role of servants. Some Product Company representatives seemed to expect
prompt reactions to their requests but did not always respond to requests from Network Companies in a manner that corresponded to their required standards. The Product Companies seemed to be ‘ranked’ by Network Companies according to the perceived smoothness, fairness and other co-operation features in their relations to Network Companies. Network Company representatives also seemed to feel a certain rivalry between Product Companies through contradicting demands by different Product Companies, which seemed to take the form of internal competition. This set up can be explained by the Product Companies being dedicated to one product; the products might compete with each other in the case of individual customer needs. The following quote of a former Stork Wärtsilä Diesel employee who had been working in a Network Company exemplifies the difficult situation that employees of Network Companies’ could evidently find themselves in.

“Now, I have been stationed abroad, in Singapore. I had to take care of all the engines from Amsterdam and Zwolle. Then... and I have to feel as a company man, take care of both the factories. And sometimes there is a lot of internal problems, because the Zwolle factory said now you are on our pay and you take first our engine and second to Amsterdam. And I’m a company man. Now this cannot, you know…” (Gijs)

People in a Network Company seemed to find themselves in a similar situation where the business areas were concerned, again at ‘the end of the chain’, feeling pressure from many directions because of a perceived rivalry between the business areas and the Product Companies.

“Well, until now it has been like a quite... catastrophic system, that you have like the businesses but then you also have the companies that are powerful and you don’t really know who steers this...  … So that our situation today is partly dependent on this.” (Transl., Bertil)
Integration

The merger situation seemed to be different in the individual Network Companies by the autumn of 1998, depending on the presence and form of New Sulzer Diesel representation in the individual countries. Integration seemed to be well on its way in some countries, but had not begun to happen in others. Physical integration had taken place in some of the Network Companies, where offices had been merged. This was the only part in the corporation where this had to take place; a physical union of people into common office premises. I studied the Network Companies in the US, the UK, Singapore and Portugal during the autumn of 1998. In the three first countries physical integration had already taken place, though not simultaneously and with varying results. In Portugal, again, the merger with New Sulzer Diesel had not taken place at all until then, because New Sulzer Diesel’s products were still represented through an agent. So that situation had to linger on for some time further, because of contractual reasons.

Generally speaking the opinion in these different Network Companies seemed to be that the former Wärtsilä Diesel part and the former New Sulzer Diesel part were not forming a ‘whole’, but were completely separate units. This seemed to be a perception in the market as well, judging from the comments company representatives seemed to be getting. A need for guidelines regarding customer relations in order to form a coherent and unified front in the market was detectable.

“…we still get comments from our customers that ‘when are you guys gonna become one company’… or comments along those lines…” (Joe)

In some Network Companies the atmosphere could be called almost destructive. The situation bore features of sabotage. It seemed that relations were so inflamed in some parts of the organisation that members of the former Wärtsilä Diesel and former New Sulzer Diesel organisations counteracted each other’s busi-
ness where there was a possibility for this. This seemed to occur at middle and lower management levels. One possible explanation for this situation seemed to be the ‘unresolved’ situation in terms of degree of integration of the two companies, where the difference in business philosophy and the varying expectations of the necessary degree of integration had created very diverse views of the whole issue. This will be discussed in detail below.

“I’d rather have a marginal performer… that I know we can work with, but one that really understands the priorities and has that behaviour, than somebody that, even if they make their numbers, continuously sabotages our priorities… Because, at the end of the day… that’s not good… that’s like a cancer.” (Joe)

In some Network Companies the integration seemed to be smoother. In these companies, the integration seemed to have started early on in terms of ‘getting to know each other’, joint company outings and such. Integration issues seemed to have been discussed early on by both parties together, and plans seemed to have been made for the different aspects of joining up, also physically. The previous ‘hands on merger experience’ of managers involved in these cases seemed to have had an advantageous influence on the integration process.

Disillusionment with ‘merger behaviour’ seemed to vary from country to country, depending on how the process was handled but also on some external factors, such as location and levels of salary.

Each Network Company seemed to have been left to itself for most of the aspects related to their local integration. Some decisions were made and directives issued concerning the top management positions in the concerned Network Company. Other than that there did not seem to be much co-ordination or guidance from group management.
“Well, there were guidelines, but it was not really… I don’t know if it really was worth anything…”

Q: “Do you remember what it would have been about?”
A: “Well, it was more like that one has to have open communication and like… I can’t say like this, afterwards, that there would have been anything that would have been, really… nothing of value in any case…” (Transl., Bertil)

This lack of guidelines as to the network companies’ own, internal, integration did not seem to be experienced as disturbing, however. What would apparently have been more valued would have been some guidance as to how to behave toward the market and customers. This was seen as a cause for the incoherence experienced by some customers until then.

“The strategy really was: ‘Well, we’re together… Let’s try and increase the volumes’…” (John)

Service

New Sulzer Diesel’s presence in countries such as the US, the UK, Singapore and Hong Kong, for example, had its main focus on service activities. Service is the area that seemed to be most problematic in the network in this merger, partly explainable by the fact that it was most affected.

“The service business area was more affected than any other business area, because effectively, all New Sulzer Diesel had here … were service people.” (Joe)

“And… We got the sales side of that integrated very quickly and we thought we’d integrated the service side, but… it didn’t work quite as easily as that took some time to… really get it properly integrated, which I think it is now – but only just. So, the process has been very slow.” (John)
The former New Sulzer Diesel network units seem to have been very independent from their mother company in Switzerland. Guidelines and directives seemed to be scarce for day-to-day business. For individuals in these units it seems like a big step having to join a larger organisation, especially when it did not correspond to their expected degree of integration. The control that is applied in a larger organisation because of demands for co-ordination can be experienced not only as uncomfortable, but might be experienced as offensive, as belittling, maybe even as deliberate ‘teasing’.

“…for the most part… our Sulzer engineers are very independent and any attempt to sort of… you know, put some management control or management processes in place is always met with resistance.” (Joe)

“I think other people will tell you and have told you that we thought that when we were Sulzer, you know, was… okay, we obviously have the same problems with… you know… you don’t think you’re being paid enough etc etc, but… we considered ourselves a nice little band and if… if there were any problems, we’d sorted them out ourselves, you know, we didn’t have to… start writing complaint forms and things like that, which Wärtsilä do… which to us is… you know… it goes against the grain. If you got a problem, you sort it out quietly, you don’t make a big issue of it and say… ‘they did that wrong’ etc etc… which we don’t like at all. That’s the main thing I’ve noticed since we’ve been Wärtsilä, the… you know… If there’s a culprit, it’s like a public flogging, which wasn’t the Sulzer style at all.” (Jeff)

The ‘clash’ seems to be one of a difference in ‘way of working’. The service people and units of the former Wärtsilä Diesel and the former New Sulzer Diesel had a different way or style of going about their business. On the New Sulzer Diesel side of the business, service had been mainly handled through one New Sulzer Diesel engineer who worked on the customer’s engine with a team of other engineers provided by the customer. This set up
put the New Sulzer Diesel engineer in more of a supervisory position. Within Wärtsilä, service was by tradition handled by a team of Wärtsilä engineers. They would do the whole service, involving customer resources only when necessary. On the New Sulzer Diesel side, the difference was explained by the difference in the 2-stroke business in general. Due to the licence dimension of the business, the customer was much more involved than in the 4-stroke business. On the Wärtsilä side, again, it seemed to cause bewilderment that New Sulzer Diesel would ‘give away’ opportunities for increasing its income.

WINTERTHUR

New Sulzer Diesel had its headquarters in Winterthur and from there it co-ordinated its activities all around the world, as is the case currently for Wärtsilä Switzerland. For New Sulzer Diesel this was the centre for administration, training, R&D and the accumulation of know-how. It had been in that location since the beginning of the diesel business within Sulzer Brothers, as Sulzer Brothers have always had their headquarters in Winterthur as well.

The corporate culture of New Sulzer Diesel could be described as traditionally engineering oriented, relatively ‘flat’, process oriented, relatively fixed on rules, and conservative. The historical heritage of the company could partly explain these traits. Also certain characteristics of national culture could be argued to play a role. It has been argued that the Germanic concept of management emphasises technical and functional expertise. This is also argued to be an explanation for the operational effectiveness of industry in the German speaking countries. (Evans et. al., 1989)
Group position

The unit in Winterthur is one of Wärtsilä’s Product Companies and is responsible for the 2-stroke business. From the start of the merger, being part of the Wärtsilä NSD Corporation seemed to be accepted in the unit in Winterthur. What seemed to pose a problem, however, was defining the unit’s role in the overall group.

“One has to dare to come in and say, this is what we intend to do here. This is what we build upon. This is what this company will do. Clear message, very simple.” (Transl., Mika)

The perceived vagueness of the unit’s role is connected with another seemingly problematic area for representatives of the former New Sulzer Diesel organisation: what the role of the other units in the group were and how they all should work together.

“Well, I always say that we would not have had a chance alone. That is for me not a topic at all and also for most people it is really not a topic any more. Well, I also think we should somehow say, in ’97, we have now discussed it enough, we are now a new company and that is also quite good. But how do we get there, level wise and positioning wise, where we have to go as a new company. And then it is not a question of Winterthur or of… of Grandi Motori or of… of Vaasa, eh, or… I am sure that the people in… in Turku today, and in Vaasa, have the same amount of problems as we do here in Winterthur…” (Transl., Volker)

Integration

In other parts of the Wärtsilä NSD group, the Winterthur organisation was referred to as an ‘engineering office’ and seemed to be perceived as being ‘on the top of the world’, perceived as presenting itself as ‘the best’, or suffering from the ‘not invented here syndrome’. This could have caused a disbelief in improvement
regarding integration, as sometimes people in Winterthur seemed to have been perceived as fighting against integration. Naturally this would be a display of attitude varying between individuals and also coloured by individual perception, how behaviour seems to have been interpreted and how people in the other parts of the group seem to have perceived their colleagues in the Winterthur unit.

In 1998 people in the unit in Winterthur, again, did not seem to feel appreciated for their expertise in their line of business by the rest of the group. This went against their understanding of why they were bought in the first place. Their explanation of the merger had to do with Wärtsilä Diesel acquiring their line of business, which in their eyes seemed to be very different from Wärtsilä Diesel’s business prior to the merger. Because of the perceived separation of their line of business from the rest of the group’s business, the need for integration of the unit in Winterthur and the former New Sulzer Diesel organisation as a whole was experienced as sufficient at the time. Some people were even of the opinion that it had already ‘gone too far’, i.e. too much – but one-sided – integration. This is explainable by the fact that they seemed to perceive themselves as being excluded to some extent from the decision making processes regarding their business. The feeling of being ostracised seemed to include the perception that their opinions and suggestions were not heard.

“In Sulzer I knew what was going on, now in WNS I don’t know anything any more…” (Transl., Beat)

The decision making process of the group seemed to be perceived as opaque, apparently because decisions would just ‘appear’ without the affected people knowing where they had come from, who had taken them and who had been included in the decision making process. Apparently the decision making process had been more transparent in the New Sulzer Diesel organisation, when it
was still an independent and more autonomous subsidiary. This can be explained to some extent by the fact that the organisation was substantially smaller than the corporation New Sulzer Diesel became part of in the course of the merger.

“…I… I don’t even know that the stuff is being addressed, and definitely not at what time it has to be decided upon and where I would still have a possibility of influence. I guess I still have to find all that out. That was during our… that was during the times of NSD for sure better in that sense. The decisions were given deadlines and known, the deadlines were known, one knew that ‘if I still want to bring up something, I have to do that before the 31st in any case, after that it will have been decided’. I think that is very important, one has had the possibility to say something. I think the decision making process was… pretty transparent at NSD… hm… that is for sure not impossible for the Wärtsilä concern, it is simply a question of… eeh… how to make it transparent, I’m not saying they are going the wrong way or… but for us they are not transparent and that… that produces a frustration because the it is not possible to influence it.” (Transl., Beat)

The experience of being excluded from decisions that affect oneself or one’s organisation could directly lead to feelings of neglect and being irrelevant, not important and not appreciated. Representatives of New Sulzer Diesel seemed to interpret this as a negative attitude displayed by the acquiring company, explained to some extent by history.

“From the mentality it was so that apparently in the 70’s and 80’s, when Wärtsilä was really one of our licensees, that there was quite a bit of dominant behaviour demonstrated from our side, that certain people, I have heard this, have also not forgotten… that we are today in the weaker position, or we were in a weaker position last year…” (Transl., Volker)
A certain rivalry between Winterthur and GMT in terms of getting ‘group attention’ was noticeable, because some company representatives seemed to view GMT as having become the centre of attention in this merger. After being in a relationship of licensor and licensee, a change towards being equal units in one corporation could pose difficulty.

“…the whole thing is the wedding and Sulzer was the bride and GMT is the mother-in-law… […] GMT, they look only to Finland nowadays… when the mother-in-law makes herself pretty for the son-in-law now and only focuses on him, then… then we were really small, in the second line somewhere… […] …and that makes of course the competition… a little, for the No. 1 role in the 2-stroke business…” (Transl., Wolfgang)

At the time of the interviews conducted in Winterthur some key New Sulzer Diesel employees had left the company, some of whom had gone to the 2-stroke competition. That this was allowed to happen in the first place seemed to have been perceived as a merger or an integration management weakness of a sort.

Decisions concerning the product portfolio of the group seemed to be another area of disappointment, at least in terms of the Sulzer 4-stroke engines. The brand new 4-stroke engine developed in Winterthur was apparently not going to be supported, because it was very close in range to a new engine that had just been developed in Finland. The older Sulzer 4-stroke model people felt was being phased out. The group wide communication about engine portfolio seems to have been contradictory, however. On the one hand it seemed to have been said that the market would decide on the engines, i.e. the customers would ‘vote’ for their preferred engine. On the other hand some individual’s statements or at least behaviour seemed to indicate that there was no future for the Sulzer 4-stroke engines.
MANTES

As explained above New Sulzer Diesel France S.A., located in Mantes-la-Jolie west of Paris and referred to as ‘Mantes’ both within the Wärtsilä NSD Corporation and in this study, was the production unit of New Sulzer Diesel for 4-stroke engines. It had been part of Sulzer since 1912 as the Compagnie Construction Mechanique Sulzer (CCM), one of Sulzer Brothers’ first licensees. It produced different kinds of ‘Sulzer’ products, such as pumps, compressors and diesel engines. As both a licensee and subsidiary of Sulzer Brothers and later New Sulzer Diesel the company was dependent on Winterthur in terms of decision making and technical directions and instructions. The relationship with the Winterthur organisation seems to have been coloured by one ‘side’ blaming the other for shortcomings of some sort, in the case of technical problems with the engines or such. Also, people in Mantes evidently had to live with not being able to decide by themselves how to employ the profits they had generated, such as decisions on major investment and the like. This seems to have caused some bitterness especially after the boom years the Mantes unit had in China during the mid 1990’s.

In 1980 the company in Mantes employed some 1500 people. In 1982 about 200 employees were laid off, partly through ‘natural reduction’, because the performance of the company was not so good. Another restructuring wave came in 1987, this time almost solely for the diesel unit of the company. In 1989 the diesel activities were separated from the other businesses of Sulzer Brothers because of the near-deal with MAN described above (‘Sulzer history’), which had to be carried out in Mantes as well. The diesel division in Mantes employed some 350 people at that time. During the boom years in China New Sulzer Diesel France expanded to some 500 employees.

The merger with Wärtsilä Diesel had severe consequences for the unit in Mantes. At the time of the merger the unit employed around 440 people. Production was shut down and the work force
was downsized by 230 employees during 1998, mostly blue collar workers because of the termination of production. It was the first unit within the Wärtsilä NSD Corporation where employees were laid off right after the merger. Nevertheless, having new owners did not seem to be seen as disturbing as such, as the organisational members where evidently used to having owners (in another country).

“We had a habit – or we developed a habit of handling shareholder or mother companies, whether Swiss or… Finns, it doesn’t make much of a difference, eh?” (Jean)

**Group position**

The new role Mantes was given after the merger, as a part of the Wärtsilä NSD Corporation, was that of a Network Company. This meant that the organisation – or what was left of it – had to change from having been a production unit to one that was involved only in sales and service. The market areas it was appointed responsible for were France and Africa.

“Look, that is what changed, that Sulzer was like Wärtsilä. This NSD, this New Sulzer Diesel, it was like Wärtsilä. They had their own product, they had a global market. They could do what they wanted, they chose what they did. And now in conjunction with this merger… they were in a way deprived of this right. They are no longer a product factory, they don’t have their own product any more and now they have the role of a Network Company, so they have this France and the Francophone area, like I said.” (Transl., Alpo)

In spite of the clear role the company got after the merger, the continuation of the company seemed not to be perceived as self-evident, however. Signs seemed to be interpreted in terms of the worst scenario, such as the lack of job rotation.
“Because… the first sign was… just to wonder, for example, why no Finnish people were appointed here. People from the… Finnish… from Wärtsilä, put here in certain position. You wonder why. If you want to do something out of a new company…” (Antoine)

This seemed to have been read as a sign of a weak and unimportant position for the Mantes unit at the time, because it seemed to be seen as a lack of investment in the unit. And the perceived lack of investment seemed to be interpreted as the new owner’s disinterest in the continuation of the unit’s business. This seemed to give rise to a general perception within the unit in Mantes of not being important for the group.

The general decision making process of the whole group, i.e. the Wärtsilä NSD Corporation, seemed to be perceived as somewhat opaque even in Mantes. This perception can partly be caused by the mere fact that the people in Mantes became members of a substantially larger group than they ever had been. This usually seems to bring with it more rigid structures and systems that have not been encountered before.

In Mantes, people evaluated their contribution to the Wärtsilä NSD Corporation to be a certain problem solving creativity, in addition to their expertise and experience, specifically on the engine the unit had produced.

*Integration*

Gloomy prospects for the future, de motivation, sadness and fear of the future seemed to be the predominant characteristics of the atmosphere in Mantes at the time of the interviews in 1998. The restructuring process had been handled successfully and everybody laid off who needed or wanted a job seemed to have got a job elsewhere. Nevertheless, the whole process had evidently taken its toll.
“I think the Winterthur organisation is, in that sense, is even more open than Mantes, but that might… that might also be because of the fact that Mantes is more shredded. And they get the oyster effect that I was just explaining, so… eehh… ‘Don’t tell, don’t show, I mean, nobody should be aware that I’m here. Maybe they forget me.’” (Willem)

“When it has been announced that there will be a social plan, cutting by 50% the staff, the personnel here, and stopping the production… has been more than a cold shower, eh, really ice shower.” (Antoine)

The need and the reasons for restructuring seemed to be generally understood. Blame seemed to be attached mainly to the unit in Winterthur; the current situation of the company seemed to be blamed on the historical heritage stemming from the parent/subsidiary relationship with the Winterthur unit. Past decisions in Winterthur seemed to be held responsible for the mono product, mono area situation the unit in Mantes had been in for a long time.

Q: “And now you have to focus on France…”
A: “France and Africa, which is not a good market… of course…”
Q: “So that, is that a reason for some kind of bitterness also, or?”
A: “No… okay… Bitterness, yes, probably, but not because of the division of the… partition of the territories, but the real bitterness is about the product, because the people in that company were that our product was good, and that the customer wanted it so… Well, it’s difficult for them to agree on… seeing the product disappear”.
Q: “And not only concerning the Z-40, but also the Z-50, because that’s new…”
A: “Okay… Z-50 is not a… We had no Z-50 in Power Plant anyway, because Z-50 was only developed at first time for Marine
and we had... they had only two of them made, so... Z-50 is not yet product... was not yet a product for us. And we were aware that... We were also... the people in the company were also bitter about the Swiss. More than the Finnish, because the Finns, you know, they just bought that company, they wanted it for, probably for the low-speed engine, mostly for that reason. And, okay, they found two products, the 38 and Z-40 were in the same range, so it was a good... the explanation was easy to understand, not easy to admit, but easy to understand. But also, well, the Swiss were not quite... In the last 5 or 6 years, we had a lot of results in France with our Power Plant market and all the money they made on us, they used it to develop a product for Marine application, not for Power Plant application, because we knew, we were sure that the need for Power Plant was a smaller engine and not bigger, so we would have preferred a 30 engine than a 50 engine. So... well... But, they were the owners, so they did what they thought was better for them.” (Claude)

Generally the merger seemed to be both expected and welcomed. To some it seemed to be regarded as saving the life of the company, but at a price. The disappointment with the post-merger process lies in the area of decision making, involvement in the decision making process and in the area of communication.

“In the case of Mantes some aspects, things have been done too quickly. Too quickly... on certain decisions. That means, first thing they took over was the rearrangement of the network. And I believe some mistakes has been made in the new network organisation. [...] From Mantes we were not at all involved in these discussions. ‘What do you think about this?’ But decisions were made without any knowledge.” (Antoine)

People did not seem to feel that they got all information about what was going to happen to them instantaneously. During negotiations about the social plan and other merger related issues, there had been a slow moving time, in which decisions could not
be taken. This was apparently not communicated to the rest of
the organisation by management, however, which might have
increased insecurity and disappointment. The expectation among
members of the unit in Mantes seems to have been that after a
merger has been implemented, something is bound to happen in
terms of restructuring. However, they apparently did not receive
information about what was happening, and in the case of nothing
happening, why nothing was happening.

“Okay, integration is a quite complicated process and so and so…
but not to loose time, because organisation of course, getting a
bit less integration and there is too many things to think about…
but you must not forget the customer! For me, even in service,
we suffer a lot in 1997 not to be in a position how to act, which
network to rely on and… customers were not informed properly
on what is going on, the network was not informed properly on
what is going on and it was a very confusing situation. […] In this
respect we lost time.” (Antoine)

“When you announce a merger, then you have to be quite clear
on the future of the various entities. Because, the news comes
‘PAM’, and people are prepared more or less to things happen…
But if you hear ‘Yeah, yeah, you’re good guys… We have been
enemies and now we are friends’ etc., etc., and all of a sudden
after six months you hear that you have to go. It’s rather difficult.”
(Jean)

Disillusionment seemed to have been directed not only at
the merger related decisions taken and the merger related commu-
nication, i.e. the post-merger process and its management, but at
the management in Mantes as well.

“I met people of the network. And I saw all the information cir-
culating about job opportunities, eventually. Within the network
and so and so. And some of the things could have been interest-
ing to some of the people I know here. And… no… nothing
was published or given by the management here on this aspect. The reason is easy. They were preparing the social plan and they wanted to keep in the drawer some opportunity… so no way to communicate officially before they announce the social plan. So eventually some people who can have… be much quicker to integrate in the network lost this opportunity, because the information was kept by the management here.” (Antoine)

GRANDI MOTORI

In 1997 and 1998, the Wärtsilä NSD Corporation’s holding in Grandi Motori Trieste S.p.A. (GMT) was 40%. Today, Wärtsilä NSD Corporation owns all of it. The transition in ownership was most likely made in steps because of the state owned status of the company, because of the restructuring measures that had to be taken and thus because of the situation’s employment and union aspects. The company history starts in 1966, when Fiat and IRI (Instituto per la Riconstruzione Industriale, an Italian state holding corporation established in 1933 for the reconstruction of the Italian industry) signed an agreement to establish GMT. Fiat Grandi Motori Turin, Ansaldo in Genua and Cantieri Tioniti della Adriatico in Trieste where combined for this purpose. The whole factory premises with all facilities were completed in 1972. Fiat and IRI owned 50% each. In 1975 Fiat sold its shares to IRI. GMT had its own products, partly inherited from Fiat and Ansaldo; both 2 and 4-stroke diesel engines. In 1982, a licensing agreement was made with Sulzer for the production of Sulzer engines. GMT came to be a part of Fincantieri, also owned by IRI, in 1984 and became Fincantieri Divisioni Grandi Motori. In 1989 Isotta Fraschini in Milan was taken over, and the unit in Trieste became Divisioni Motori Diesel within Fincantieri. When the merger with Wärtsilä Diesel came along, GMT was thus a division of Fincantieri.

The organisational culture of GMT seemed to be characterised by a departmental hierarchy, bureaucracy, directives,
politics, fear of taking responsibility and fear of taking initiative (on lower organisational levels), as one can imagine would be the case in large, formerly state-owned companies. Fear and a certain kind of paralysis seemed to have been the predominant characteristics of the atmosphere in the company, with possible variations between departments.

“Now plans have been made...[but] people are not used to actively taking part, they have worked on orders...” (Transl., Mårten)

In 1997, the company employed some 1600 people. The workforce was reduced substantially in 1997 and 1998. In 2000, the number of employees was down to a little over 1000. The need for restructuring seemed to be understood by GMT representatives against the background of increasing efficiency. For GMT the merger seemed to mean a substantial change in the ‘way of working’. The whole organisation was confronted with a change from a state owned company heritage to membership of a market economy driven corporation.

**Group position**

GMT’s position within Wärtsilä NSD Corporation was that of an ‘associated’ company at the time of this study, because 60% of it was still owned by Fincantieri. This meant that the company was evidently regarded somewhat as an outsider by the rest of the group. Its outsider position in the group did not seem to be positively influenced by the costs it was generating, of which the group had to cover 40% (parallel with the ownership percentage). The restructuring process required considerable resources, naturally. Then GMT was suffering from ‘past business trouble’, it seems, which can have devoured whatever the company was making.
“But still we are in transit period here, because we are in lot of troubles, coming from the old contracts.” (Giorgio)

Additionally the factory in Trieste is, because of its size, expensive to maintain and was not used to full capacity. The production facilities in Trieste are situated in an area of about 12 hectares, which is about 30 acres. They include three gigantic production halls and a number of buildings where administration is located. The capacity for production these premises offer seemed to be almost mythical within the Wärtsilä NSD Corporation at the time of the study. The ‘filling of the factory’ was talked about as a challenge, as a necessary evil, as necessary for the group’s survival, as a problem or as overwhelming. It seemed to be an issue, however, that nobody really wanted to take responsibility for; it was seen as a top management challenge. Somehow, it seemed to be easier to push this issue into the future or into somebody else’s lap at the time, because of the status of GMT as an associated company. The whole set up seemed to put the unit in Trieste into a power position of some sort within the group, in terms of being able to ‘take the company down’. The attitude towards this issue at GMT, again, was coloured by passivity; the group should ‘service’ them, i.e. provide opportunities, orders etc.

“After that, reality of Grandi Motori, to manage this… we have impressive production capability, it should be settled, organised, optimised… inside the group. In the frame of the group. “ (Giorgio)

As the production capacity seemed to be suited to the production of 2-stroke engines, it would have seemed important for the whole group that the Swiss and the Italians should work together. This seemed to pose somewhat of a problem, as a wish for mediation by the Finns when having to work with the Swiss organisation was detectable. This could be explained by the past licensor-licensee relationship between the two organisations and
animosities stemming from that time. The attitude towards the Wärtsilä NSD Corporation in general seemed to be largely positive at GMT.

“Huge group. It’s pleasant to work with. Never I got difficulties to enter into contact, to get the right information. Very co-operative, generally open. […] Very efficient. So we are feeling that we can learn something.” (Giorgio)

What people at GMT saw as their special talent and possible contribution to the group seemed to be the area of non-standardised business, a certain creativity and flexibility when it came to special requests and solutions. Additionally, the navy business and their knowledge of that business seemed to be a main area of competence at GMT.

“Personally I believe that… I have been quite impressed by the Italians’ way of… way of working. We have been quite impressed by their… by the pragmatic attitude of top management and willingness to make decisions and work on. Eh, so I would be quite optimistic about their… they will under all circumstances carry out everything in detail that has been agreed upon.” (Transl., Björn)

GMT’s own products seemed to be overlapping with Wärtsilä NSD Corporation’s products, and they will apparently be phased out. This did not seem to cause much pain or regret at GMT. This can be explained by the fact that their products did seem to be only moderately successful and ‘elderly’ at the time of the study.
“Our idea was that this company was too small and the trademark was too small in order to be able to be a player of some significance on the market.” (Francesco)

The merger seemed to be welcomed and met with great enthusiasm by representatives of GMT, because it was seen as an opportunity to change for the better and as an opportunity to show what the organisation as a whole could really accomplish, were it given the chance. So it seemed to be perceived as a chance for survival. This attitude was, in a somewhat ironical way, well expressed by the catchword “better Finnish than finished” that appears to have been circulating in Trieste at the time and after the merger.

“The largest part of the people, the ones I work with, are very open to… changes and improvements…” (Transl., Mårten)

What the merger seemed to require of the GMT organisation was a substantial change in terms of how the organisation was and would be functioning, i.e. a comprehensive change in the ‘way of working’. Taking into account its history as a state owned company described above and the cultural traits stemming from that time, this change would seem to include a change in the attitude towards and the distribution and attribution of power and status within the organisation. Another challenge would lie in the area of convincing people that taking responsibility, initiative and such is really accepted and supported and will not lead to negative consequences.

“… but the attitude of these people is coming to the chief… And also after – that is another question – after 30 or 25 years of this type of working, how to change these people… it’s difficult.” (Giorgio)
Because of the positive attitude toward and high expectations of the merger, disillusionment with the merger could be detected in terms of changes taking effect so slowly (or not at all). This would become observable in connection with the question of the organisation chart, for example. Until the merger, the ‘organi
gramma’ had been one of the most secret documents in the whole company, only accessible to very few high rank people. This had, at least partly, to be due to the document including salary information and such. Another kind of organisation chart did not seem to exist. After the merger, an organisation chart seemed to have been promised ‘to the organisation’, but nobody had seen it yet at the time of the study. This could be due to legal or union restrictions, directives from Fincantieri’s side or ‘barriers within the organisational culture’ of GMT. Possibly the organisation chart was simply not seen as a tool for every day work (in terms of showing who is responsible for what and how the organisation functions overall) in the manner the rest of the Wärtsilä NSD Corporation was used to viewing it.

At a lower management level, disillusionment with the ‘original’ GMT top management seemed to be growing and turning into frustration, partly because of the above mentioned aspect of ‘nothing happening’ and changes not taking place, at least not quickly enough.

“Grandi Motori has two souls. One soul says that… can integrate in Wärtsilä. And one soul that should be cancelled, old style soul, that… is still looking at the old world of Fincantieri. More, I don’t know if they are really willing to change.” (Carlo)

On the other side of the coin of the ‘no-responsibility-taking’ and ‘no-initiative taking’ culture of GMT there seemed to be the issue of delegation. ‘Not being delegated to’ cannot foster responsibility or initiative and seemed to be another explanation for disillusionment and frustration on lower levels.
“…because it has been a governmental company, so here are not… all have not advanced on the grounds of knowledge and capability, but… one has had the right ‘party book’.” (Transl., Mårten)

The fact that a COO of Wärtsilä Diesel origin was appointed to GMT in the summer of 1997 seemed to have had a positive impact on integration. Nevertheless, he seemed to be somewhat alone at times, being the only person so far on job rotation in the unit. Apparently he would not have had anything against a few helping hands in terms of making an impact in a ‘culture change’, showing the desired ‘way of working’ and such. It has to be considered, however, that GMT was an associated company at the time of the study, and the special position with the Wärtsilä NSD Corporation minority holding could have influenced this situation in terms of job rotation and decision making.

A job rotation measure such as the appointment of the COO seemed to send a message to the unit. The interpretation seemed to be similar to the one in Mantes described above, where nobody had been sent from the acquiring company. According to interviewees, only one person from Wärtsilä, even though he was appointed COO, was evidently not considered to be much proof of the integrative intentions of Wärtsilä. There seems to be some sort of ‘critical mass’ aspect to job rotation after a merger, at least as a means of furthering integration and security about integration in an acquired unit.

Q: “Is it discussed very much among you and your colleagues… what Wärtsilä is and what the Wärtsilä way of working is… and these changes, do you discuss that much?”

A: “Yeah, we discuss the… We have different ideas… We are discussing… The hope of everybody is… really from the people that have more or less my age, they hope a lot… the people… I’m talking people that have… want to work… that they have volunteered to work, not people… because also there is people
that, like in every kind of situation, they stay a little bit behind, other ones are pushing more, but... I think that the colleagues of mine that I have... more or less my age... they are waiting... that... Wärtsilä took the... in the hand... the company. Also, in my opinion, I was a little bit astonished when... I’ve seen just only Mr. [COO] coming here... I, from the beginning, I believed that when Wärtsilä will enter in Grandi Motori... came a man like Mr. [COO] plus... I don’t know, 10 or 20 people and (tap tap tap)... This people will occupy other places, but this don’t happen from the beginning and this... make me be a little bit thinking about the whole situation... About real intention of Wärtsilä on ourselves, on Grandi Motori. This maybe sometime is... the thing that is... make me thinking... ‘Why not?’ If there is a good intention they want... to do something, but... And regarding the... what I heard because a colleague of mine went to... Finland, they make a... for example, a course of... a project manager’s course of... and they can back very, very happy and very... what I mean...”

Q: “Enthusiastic?”

A: “...enthusiastic, yes... yes, really. So, after coming here they say always the same thing, we cannot do anything. (giggle)”

(Frederico)

Job rotation in terms of GMT personnel rotating to other units within the group had evidently not been implemented at the time of this study. Historically it had apparently not been a widespread action within GMT, other than perhaps transfers between Fincantieri and GMT. Some managers found it seemingly difficult to handle the possible rotation of one or several of their subordinates, as they did not seem to know ‘who to send’. Evidently, they did not seem to be able to identify candidates (because of language barriers, for example) or did not seem to know whom they could spare (because they needed their employees with language skills, for example).
DIESEL RICERCHE

Diesel Ricerche was a development centre owned by Fincantieri and serving both New Sulzer Diesel and the Fincantieri Diesel Division, i.e. GMT. The company’s history thus goes hand in hand with GMT’s history in terms of ownership by Fincantieri and chronology. The cultural heritage and traits as well as the integrative aspects were also similar to GMT. The difference regarding the merger was, as mentioned above, that Diesel Ricerche became part of the Wärtsilä NSD Corporation right away at the time of the merger to 100%. Thus the time schedule for integration differs from the one for GMT. Also, this unit was substantially smaller than GMT, employing about 160 people just before the merger. The staff was downsized to 95 people during 1998.

Q: “You mentioned takeover. This is not a merger?”
A: “No... no... this is not a merger, but... this is a takeover. That’s how I see it, and, like... because of something I’m not totally convinced either, but... this is a takeover of a vessel that... was on its way down and... this is, like... my evaluation is that... how bad a shape this vessel was in, nobody really knew that... And we have noticed several things here with... Diesel Ricerche that... What kind of picture one had back then, at the beginning, that one thought ‘okay, this was something to invest in’. I think everybody thought that. Well, there existed something here and of course, everybody gave their... tried to do their best in order to sell themselves and... Grandi Motori had just before this takeover then done a couple of feints which made the unbelievable costs we have today.” (Transl., Dan)

Group position

Diesel Ricerche’s role in within Wärtsilä NSD Corporation became that of a research centre, specialising in diesel engine applications for the navy business and in gas engines. The situation of Diesel Ricerche in the group did not seem to be an easy one.
For one, it seemed to have to endure being ‘overlooked’ because of its size and being overshadowed by GMT. At Diesel Ricerche itself, its role within the unit seemed to be clear. In contacts with other units of the group, however, a discrepancy concerning this issue seemed to appear. The unit’s role within the group did seem to need some clarification in the rest of the group.

“Vasa – well, it is easiest to keep a balanced contact with them, because I know, okay, they pay in any case, no matter if we do something or… If we do something, they pay, and if we don’t do anything they will have to pay anyway. The loss. So… but the Dutch and such have been quite critical of us…” (Transl., Dan)

At Diesel Ricerche, the experience of other group units’ representatives seemed to lean towards the display of somewhat negative attitudes. The contribution of Diesel Ricerche as a unit seemed to be questioned in terms of their expertise, experience and reputation.

Integration

“In the beginning there was enthusiasm over Wärtsilä taking over and… one thought that this is the salvation here, but… now maybe this first affection has… changed into the grey everyday working day and one notices that… one does not get anything for free, no, but it… It will be work. [… ] So… there is a lot to do here.” (Transl., Dan)

The initial attitude towards the merger with Wärtsilä Diesel seemed to be similar at Diesel Ricerche to that described for GMT. Enthusiasm seemed to have been high, the merger seemed to have been viewed as a chance to go towards better times and prove one’s abilities. The challenges it faced were also similar to the one’s GMT faced, i.e. having to change from a state owned
organisation to a company driven by and measured in market economy terms, with the cultural heritage stemming from there. The difference from GMT seemed to lie mainly in the area of the integration time schedule. Because Diesel Ricerche was incorporated into the group to a 100% from the beginning of the merger, this posed a tighter time schedule on the unit in terms of making a change and cutting down on the transition period granted to GMT.

“As the results last year were not so good as it should have been, and therefore, we have to be careful… to the costs.” (Carlo)

The drastic change Diesel Ricerche as an organisation had to go through seemed to have the effect that costs were overemphasised from the unit’s management’s side to a degree that no investment seemed to be made in new office equipment such as computers. This reaction should be viewed in the light of Diesel Ricerche’s initiation into its ‘market economy’ era. Its premises had to be acquired from GMT, it was in debt, and it seemed to have comparatively high costs compared with its income.

“They are that this company here has… been blood let and raped tremendously these last 2-3 years.” (Transl., Dan)

The focus on costs and the lack of investments coupled with a leadership style characterised by tight control seemed to have led to a deterioration in motivation and commitment in this unit.

“…the strategy of the management is unfortunately that one has to control these people, one should not… They have to be controlled and restricted so that they can go only in one direction, the one that management thinks has to be taken for the time being. And not like let them make their own decisions and show the way and ‘approximately… this is where we should be going, you can

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take which way you want’. Instead it is more like this that… you may only do it this way… but you have to do it exactly like this and this. So they… no own opinion.” (Transl., Dan)

Changes in leadership style seemed to have been, if not awaited then at least hoped for, but fruitlessly so, it seemed. An example of the fact that people did not seem to get the necessary tools for performing their tasks to their best abilities is the fact that the ‘organigramma’ problem we encountered in the GMT organisation above seemed to create frustration in this unit as well.

“The signals they interpret… the way I would interpret them, that there is nobody who expects me to take the initiative or make contacts. Nobody… it is not desired that I do that, because my telephone is closed and the only fax there is, is up there, shielded.” (Transl., Dan)

These do not seem to be very motivating circumstances. But also certain structural features of Diesel Ricerche seemed to contribute to this problem in terms of who got to decide on who’s requests and how work was organised.

“I also think that here one has, like, worked on a project and then been moved to another project and one has… one has never got a chance to identify with this product and then when it is finished, then maybe it is produced in some licence factory in Korea and one never sees, like, what is the result.” (Transl., Dan)

The change of lunch customs implemented by the management of Diesel Ricerche could be interpreted as a positive sign, although it did seem to cause some discomfort at the beginning. As was still the case at GMT, at Diesel Ricerche the management also had its lunch in a separate lunchroom, designated for ‘directors’. After the merger, management at Diesel Ricerche decided to terminate this custom and have the whole organisation take their
lunch in the GMT ‘lunch hall’. This is the ‘hall’ where the rest of the GMT organisation had their lunch. A privilege in the form of bottled water was still maintained for management, so equality was not complete.

Another symbolic sign of change in terms of new winds blowing seemed to be the abolition of academic titles from the business cards of all Diesel Ricerche representatives. The impact of that measure in terms of how it was interpreted by organisational members remained opaque at the time of this study, but it was apparently done in order to be more consistent with the Wärtsilä NSD Corporation’s standards and customs.

At the time of the study, job rotation between Diesel Ricerche and the Vaasa factory technology department seemed to be relatively active with several individuals having been ‘sent both ways’ on assignments. The other side of the employment coin, however, seemed to be that the company had been ‘brain drained’ without the supply of any ‘new blood’. This was evidently the case for GMT as well. Some people already seem to see it as a problem that could have negative consequences in the future.

“… people die and disappear, so the know-how disappears as well and everybody is just thankful that there is one head less to pay a salary to. So we have to… It has to be started, this process that there comes in younger… new, fresh blood.” (Transl., Dan)

FINLAND

“We have talked a lot about this, it was the Wärtsilä spirit that we worked and the way we worked. There was something, everybody worked for the same thing. Now maybe it has changed. We have grown so much here. There are things that we also realise ourselves, that there are new, younger people that have learnt in school to question things in a different manner. And that is good
as such, but it gets to be different. One does not have the same feeling, maybe.” (Transl., Thor)

The units in Finland seemed not to have been unaffected by the merger, nor the mergers before the company became the Wärtsilä NSD Corporation. In particular the merger with New Sulzer Diesel seemed to have a substantial impact on the Finnish unit of the group; it was the largest and apparently most expensive one so far. In addition to the mergers, the Finnish company had grown considerably, and also this seemed to leave traces.

“The company has changed a lot. It was really easy when we were 50 people here totally. A fifth of what we are today. One knew everybody. It was another business.” (Transl., Göran)

The effects of growth seemed to be that ‘older’ members of the organisation did not seem to ‘recognise’ their company anymore and were nostalgic about the ‘old times’. This seemed the case especially in the Power Plant department, which had experienced the fastest growth.

“Before it was more a family firm, but now we have grown unbelievably during the last 15-16 years that I have been here. Before it was small and it was all built up. Back then we were 10-15 people here on the Power Plant side, and now we are, I don’t know, 200-300 maybe. I don’t know. I have lost count. One doesn’t know all the people working here. So in that way it is completely different…” (Transl., Thor)

The cultural heritage of the Finnish unit seemed to be characterised by youth, aggressiveness, straightforwardness, boldness, ‘performance orientedness’ and a high risk profile. The members of this unit seemed to be known and recognised for their ‘drive’ and for being very active. The general motto seemed to be ‘learning by doing’ and responsibility seemed to be delegated to a large extent.
“...Wärtsilä had been much more used to act quickly and implement change much more fast and when something is decided, you just go for it.” (Paul)

This way of working and heritage has been termed a ‘Viking culture’, which is argued to be characterised by encouragement to find solutions to problems independently. (Hernesniemi and Viitamo, 1999)

**Group position**

The units in Finland, the dedicated product factories in Vaasa and Turku and the headquarters in Helsinki, constitute the ‘original core’ of what is known as ‘Wärtsilä’ in the diesel engine business. Both factories produce their respectively successful diesel engines up to this day and have been growing and generating profits for the group continuously. There seems to have been some rivalry between the two factories. It seemed to have been the case, too, between the units in Winterthur and Mantes and, in the Netherlands, between the factories in Amsterdam and Zwolle. These animosities are not ‘merger related’, so they will not be probed more deeply in this study. The important fact to acknowledge in terms of group position is that especially the unit in Vaasa seemed to have a special rank within the group. The people in Vaasa seemed to be perceived as the driving force behind the company’s growth and success. Also, Vaasa seemed to be the birthplace of the entrepreneurial spirit that seemed to be widely acknowledged and also to some extent admired in the group.

During the duration of this study, two business area heads had their offices and residences in Vaasa, whereas the rest of them had previously moved to Strasbourg and in mid 1997 to Zurich along with group headquarters. This seemed to have been interpreted as a symbol of the Vaasa unit’s importance group wide, as
the perception might easily have been that the business area heads had ‘been allowed to stay’ in Vaasa.

The perception of Finns by members of the group within the acquired units especially, but also generally within the network and the other Product Companies, seemed to slide easily into the area of arrogance and of ‘being best’. This does not mean that relations with the Finns were bad or that every representative of the Finnish units was viewed this way. But a general feature of how they and especially the representatives of the unit in Vaasa were perceived seemed to lean towards some kind of arrogant or ‘superior’ behaviour.

“Some of them still believe ‘we are the leader, we are the best, that’s why we took over you, and that’s why it has to be this way’. You don’t feel in a position where we have to join together, the plus, the strong points, we have the feeling that they are the ones who will lead everything.” (Jeff)

The seemingly superior attitude of representatives of the Finnish units might be understandable in the light of the success of the Finnish part of the group. The feeling of having to pay for the merger related costs and having done so in the previous mergers already seemed to be creating a lot of frustration in the Finnish units. This did not seem to have a positive effect on motivation and commitment, either.

“…then there is this Grandi Motori bill to be paid. Written off… now again, that is where our money goes. […] It is for sure that if one puts the same amount of money into Vasa, the output will be something totally different.” (Transl., Bror)

Integration
The attitude towards the merger seemed to be quite negative in Finland in general. Merger motives were not necessarily understood.

“…one would understand why this was so important… to get up the volume and… or one supposes that, okay, for sure we should… one like believes that somebody has been hit by megalomania here and… there is like no realism in this, but it is only because of us becoming biggest… and not so that we can be best… which is what we have thought we were. But I do believe people are rather best than biggest.” (Transl., Dan)

Perceived from Finland, the biggest challenge to the merger seemed to lie in the change from competitor to group member. This seemed to necessitate a rethinking of relations. Formerly, Wärtsilä Diesel seemed to be seen as trying to gain market share from the 2-stroke business with 4-stroke technology; now this kind of thinking seemed to have to be abolished.

“It was like very clear that one was fighting against these large crossheads, that that was like… our enemy. And now they are to be our livelihood. I believe that one is a little mixed up… it was so clear before… that they have to be fought against and now they should not be fought against.” (Transl.)

The poor result of the Wärtsilä NSD Corporation in 1997 seemed to exacerbate the negative attitude and feelings towards the merger and seemed to have led to increased protectionism.

“So, every time putting energy in making a good business out of something that has been acquired, starts to make people a little tired. And therefore, if you don’t have this clearness – even for the original Wärtsilä people, on how the strategy look like and something should be done, who is doing what. People get a little bit lost because all the time they are continuing to run around and try to get things done… There is much more focus than they like
on internal matters instead of being close in the market working with customers and all that so, that has taken a lot of energy of people.” (Paul)

Top management seemed to be seen as the creators of the current situation as well as similar past situations, in which the Finnish units paid the bill.

“But that one lives in a healthy company, one notices that it is going well... there is money coming in, healthy money, that one can invest, one can get a new PC sometime... one, like... the projects are increasing in number, one gets more work and more activities and it is not like 'no, no, now we shall... now we have to cut down, now it has to be cut there and there, we have to move this to next year and... there will not be any bonus this year’... That is... signals like that are very... have a negative effect on people” (Transl., Thor)

**PROBLEM AREAS OF THE MERGER**

As can be seen from the above portrayal of the different parts of this merger, this merger could be described as complex. Many different units within Europe and around the world seemed to have been affected, all carrying with them their own cultural heritage, differences in national culture and a different position within the merger. Many problem areas could be identified within these units, some of them of a more individual and particular character. Examples of these would be the reaction to restructuring at the unit in Mantes, the generally negative attitude towards the merger in the Finnish unit from the start of the merger or the impact of the unexpected stagnation in the advancement of the merger at Grandi Motori. Although these problem areas of a more local character should not be discounted in their significance and
it is by no means my intention to do so, there seemed to be more general problematic aspects to this merger, such as issues around the product portfolio or ‘merger behaviour’, for example. These aspects of the merger seemed to influence several units, and could thus be described as more general and ‘group wide’.

The overall disillusionment with the merger as such and the clash in the ‘ways of working’, i.e. differing business practices of the merging parties, were the two general problem areas that I was able to identify as most significant for the whole group in this merger and its post-merger integration. As in the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, the significance of these problem areas originates in the emotions these ‘post-merger integration features’ seemed to evoke, as well as their emergence coupled with some degree of surprise. In addition, their negative impact on post-merger integration seemed substantial in terms of motivation and commitment. This is why they attracted attention so effectively in this study. These seemingly problematic aspects of the merger and their possible causes will be examined in the next section.

THE DIFFERENCE IN BUSINESS PRACTICES

The problem of the ongoing internal competition seemed to be the most severe problem in the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel. The merger between Wärtsilä Diesel and New Sulzer Diesel also had its seemingly gravest problem area. This was evidently the perceived difference in how the merged companies conducted their own and viewed each others’ business. This problem seemed to be ‘group wide’, i.e. extending into several areas and all units of Wärtsilä affected by the merger. This difference was termed by interviewees as the difference in ‘way of working’ or ‘business philosophy’, and interviewees most likely chose the word philosophy in this context to depict a uni-
versal, deeply rooted difference in how the diesel engine business was viewed and thought of. Hellgren and Löwstedt (1997) point out that just in the same manner as organisational researchers use organisation theory to understand organisational phenomena, members of an organisation can use conceptions about how ‘their business’ can and should work. The difference in conceptions and perceptions in this merger evidently materialised after the merger was completed and integration had to start. There seemed to be a substantial deal of surprise connected with its existence.

“I fear, one way or another, there’s sort of been a lost year. And… it… might just be because of this different philosophical outlook between the two companies. […] …we came across this big difference in philosophy that starts to affect the actual performance.” (John)

**Surprise**

To a layman as myself the difference in business practice would seem surprising, because the companies were and are in the diesel engine business. This difference seemed also to have come as a surprise to all merging parties involved, not the existence of differences as such, but rather their extent and the intractable insistence of each party on its own way of doing things. Both parties were evidently perceived by ‘the other side’ as not understanding the benefits of changing their point of view and way of working. The basic assumption and expectation from before the merger seemed to have been that business is perceived and managed in a similar way to one’s own, probably mainly because the companies were, after all, in the diesel engine business.

The perceptions of the ‘other organisation’ before the merger were evidently based on their reputation and general pre-merger knowledge, i.e. more or less what was known on the market about the company. The expectations based on the reputations of the companies did not seem to conform to what ‘was found’.
the former Wärtsilä Diesel side the surprise seemed to be due to the reputation of Sulzer as the ‘Rolls Royce of the Diesel engine business’ and the perceived lack of business volume and ‘business mindedness’.

“So… why did it not fulfil my expectations? Because… it was rather… in some way it was a surprise that is was still so… unprofessionally managed… Like, that one had let everything vanish… all the good…” (Transl., Bertil)

“…there were really no clear business plans, they were just.. harvesting whatever business they could… they could get. We had a different opinion on how it should be done.” (Joe)

The surprise surrounding this issue among members of the former New Sulzer Diesel organisation seemed to be connected with disillusionment with the ‘Wärtsilä way of doing business’. From their side, it seemed ‘unprofessionally managed’ as well. Evidently, expectations regarding the professionalism of Wärtsilä had been high because of the rapid growth and exceptional performance of the company in previous years.

“I don’t know if it has always been like that, so I can really honestly confess, I always looked up to Wärtsilä and said ‘phht, they are damned good, they are quick, they are outstanding, so there we can only learn something from that’. And I can maybe say that I went into the merger with this attitude. Today I have to say, they really only cook with water as well, and we have now come to a phase where the complexity of leadership has increased so much and the market has become so aggressive, simultaneously, that parallels are beginning to show…” (Transl., Volker)

Some time into the merger, i.e. post-merger integration process, the second surprise seemed to occur in connection to the different business approaches. Realisation seemed to dawn in some part of the old Wärtsilä Diesel organisation that the situation
could not be turned around as quickly as anticipated because of the differences of the respective businesses.

“And then the other surprise, like I said earlier, that... we really thought that we could like... overnight... we knew that it was going down, but we believed that we could change it over night. But we did not understand it. ... ...but I think we did not understand the business process well enough.” (Transl., Bertil)

“And it took us... it almost took us a year... I would say it took us the better part of 8 months to really realise that there were difference. And then we became concerned that... okay, there is a difference approaching this business, but if we keep it separate, we’ll never quite have one company. And that’s the dilemma that we still are in today.” (Joe)

“...but it is a different business, which can profit from the merger, but we will profit from this merger only if we really see it as a merger and not as a takeover. And I believe that... that is maybe the shock for most people, that they imagined, with certain prejudices, to get something out of it quickly and that is not possible now. And then the disappointment is there, quite clearly.” (Transl., Volker)

In addition to the more general surprise at the difference in how business was managed, there seemed to be a more particular perception of the 2-stroke business and how it should and could be managed, which seemed to vary according to pre merger company membership. These sub areas will be examined in more detail as follows. Then, a more fundamental difference in the former Wärtsilä Diesel and New Sulzer Diesel organisations regarding the general nature and emphasis of business will be described.

*The 2-stroke business*
There seemed to be a difference in how the respective businesses of the merging parties, i.e. the 4 and 2-stroke businesses, where perceived and interpreted. The difference lies mainly in the use of licensees for the 2-stroke business, which was (and is) absent as a business concept from the 4-stroke business.

In the former Wärtsilä Diesel organisation, at the beginning of the merger the attitude generally seemed to be that the 2-stroke business was much like the 4-stroke business and thus could and should be managed similarly. In Winterthur, again, this did not seem to be viewed in the same manner at all. People seemed to generally be of the opinion that their business, the 2-stroke business, could not and should not be managed in any other way than they were currently managing it. At a later stage in the post-merger process the former Wärtsilä Diesel employees seemed to be more divided on this issue, with some people having adapted their understanding of the 2-stroke business to accord better with the view of the former New Sulzer Diesel members. In Winterthur, a commonly shared understanding and view of the merger evidently was that Wärtsilä had merged because of the 2-stroke business. Thus former New Sulzer Diesel employees evidently felt that the 2-stroke business, and thereby their unit, should have been the focal point of the merger. Bewilderment at the perceived poor understanding and management of the 2-stroke business by the acquirers after the merger could be explained by the emphasis on this particular business.

“… but above all we are Marine people and because of that world wide, and that is then more local, really, we always see fisher boats on brochures. One illustrates above all what one knows well and not what one doesn’t know. And that also gives an optic picture and in that sense it is a union that makes sense, where one can say that neither Wärtsilä alone nor Sulzer alone would… would have survived another 5 or 10 years very well, separately, because the main competitor has already known both for a long time. And, eh, therefore it is a merger, totally clearly it is a union of
two different businesses, and therefore we were really always very relaxed and never had any fear for our position, because we said that nobody could tell us how this could go better. In that case it would already have been done here for a long time.” (Transl., Volker)

The difference between Wärtsilä Diesel and New Sulzer Diesel at the time of the merger could be described in broad terms as follows; Wärtsilä Diesel had its own production and thus all detailed knowledge about the engines, their production, the details of development and such were with the company. It commanded at least 90% of the spare parts sales for its engines. And even though the company had to organise production, it would also have the possibility to generate a profit from this business. New Sulzer Diesel, again, had numerous licensees, as mentioned before, and this means that the licensees would have the technical specifications of the engines they produced under licence. This in turn meant that the licensees would also be able to produce spare parts. Thus the spare parts business for Sulzer engines was only some 30% with New Sulzer Diesel; they had to fight pirate copies and such. In addition, not counting the production of the Sulzer 4-stroke engine in Mantes, there was no production at New Sulzer Diesel, and the company’s main income, apart from the spare parts business and service, was licensing fees. At the former Wärtsilä Diesel, the business set up of New Sulzer Diesel evidently seemed to cause astonishment; how could ‘they’ at New Sulzer Diesel have let their business ‘slip out of their hands’ in such a manner? At New Sulzer Diesel, again, the situation was perceived as the former Wärtsilä Diesel people not understanding the different nature of the 2-stroke business.

An ‘appendage’ of this difference was the view of the merged parties as to how the service for the 2-stroke business should be handled. The clash within the service sector of the business seemed to originate in a seemingly clear cut profit oriented thinking within the former Wärtsilä Diesel organisation (‘what’)23
and a philosophy of customer delight coupled with employee delight (‘how’) in the former New Sulzer Diesel organisation. Two value systems were evidently in conflict.

“You know... that we’re too focused on the bottom line... that we’re... you know... not listening to our customers... These guys were giving away free service, you know... they were spending hours and hours on the phone... giving technical advice... yeah, we are satisfying customer needs, but you know... we should gain some value for that, I mean, we are running a business here.” (Joe)

A clash between Finland and Switzerland

Between the former New Sulzer Diesel and the former Wärtsilä Diesel part of the corporation an evidently fundamental difference could be detected in prioritisation regarding managing a business. There seemed to be a different weight subscribed to the ‘what’ of doing business and the ‘how’ of doing business. The difference between ‘what’ and ‘how’ lies in the relative importance ascribed to ‘what to do’ as opposed to ‘how to do it’. It could perhaps also be called a difference in the prioritisation of substance over procedure (or vice versa).

At former Wärtsilä Diesel, business was evidently viewed in a driven and more goal oriented fashion. How one was to achieve a goal seemed to be of secondary importance. Generally, there seemed to have been room left for creativity, apparently descending from an entrepreneurial heritage. This appeared to collide with the way business was evidently approached in the Winterthur unit. The goals set by representatives of the former Wärtsilä Diesel organisation were evidently seen as unrealistic and bold and their achievement was evidently perceived as doubtful. How to achieve goals was seemingly as important in Winterthur as the goal itself.
“No, look, if you have the customers worldwide, then they are still as many customers… If you really have a small team you are not even tempted to do it like that. You don’t have a chance. Then it is more a risk to do it a little bit too little, but there is never the chance that you would be unrealistic. We always said that we proceed pragmatically, step by step, we plan to do the possible, the ambitiously possible, and do it. One step after the other. Always of course watching out for staying in the right segment, in the direction really and not suddenly, eh, totally then… drift into neutral gear.” (Transl., Volker)

One explanation for the ‘what’ versus ‘how’ set up could lie in the area of identification. The employees of New Sulzer Diesel had experienced numerous ownership changes in the past, which, together probably with other things, had evidently led to a primary identification with the product, the Sulzer engine. Company membership had become secondary as identification was evidently based on the product. The product had become the primary focus of work and the fair treatment of it and its related business seemed to have held the most significant emotional attachments of the members of New Sulzer Diesel. Therefore it seemed to be important to former employees of New Sulzer Diesel how things were done, i.e. decided and implemented. The strong identification could also explain the protectionism exhibited towards the product and the business as well as the perception of the unfair treatment of the Z engines.

Q: “How do you judge the situation at the moment, do you feel, you and your colleagues… are you Wärtsilä NSD?”
A: “No, I think that will take longer. But it is really so that I believe that the Identf… well, there is a story I have from earlier, involving the question of employees… for what does one go to work, and that was asked, and the answer was again and again ‘I go because of the diesel engine’. Nobody goes to work because of Sulzer, the people don’t say ‘I work at Sulzer’, the people say I
make a diesel engine. That means that a change of company will
not be noticed in that sense.” (Transl., Beat)

The old Wärtsilä Diesel organisation in turn seemed to be
careracterised by, additionally to identification with the product,
identification with the company as a whole, evidently stemming
from the success and growth of the company. The survival of the
company would be as much at the core of the emotional attitude
towards the working environment as the survival of the product
itself in this kind of a situation. This could explain why ‘what’
would become more important than ‘how’. The ‘what’ of business
in terms of Wärtsilä Diesel was a focus on increasing sales, increas-
ing profits and increasing market share.

Within both companies, organisational members evidently
took pride in their respective products (i.e. engines) and believed
in their respective superiority. The (evidently incoherent) com-
munication around and perceived decisions on the engine portfo-
lio concerning the 4-stroke engines apparently did not diminish
the ‘clash’ between the old Wärtsilä Diesel and New Sulzer Diesel
organisations. This situation would include the unit in Mantes as
well, as a member of the old New Sulzer Diesel organisation pro-
ducing its 4-stroke engine. We shall, however, return to this point
later in the analysis of the disillusionment with the merger that
seemed to have crept into many parts of the new corporation.

Other units

General differences in business practice also seemed to be
detectable in other parts of the corporation. At GMT, for example,
the former Wärtsilä Diesel ‘way of working’ characterised by ini-
tiative, responsibility and speed seemed to meet with the GMT
heritage dominated by directives, politics and apprehension.

“They [at GMT] communicate their decisions in a little bit
strange manner, or don’t communicate them. That makes it
sometimes a little bit complicated to understand what… what really is happening. And… and… but that has more to do with culture, with language barriers, that… they maybe explain things with many words.” (Transl., Märten)

Another general difference could be detected regarding efficiency. The change towards a more market economy oriented approach within GMT and Diesel Ricerche seemed to demand new ways of measuring the efficiency of a project, for example. Had it formerly been measured in terms of man hours, now it had to be done in terms of profit. Such drastic changes in business practices could easily lead to misunderstandings of what the desired practice is or should be.

DISILLUSIONMENT WITH THE MERGER

“…for me NSD is of course not a subject any more, that is WNS and I see it as WNS, for the moment… simply a huge pain, these masses of people, to really raise the potential and then to transpose it on the market. It is a shared worry that we have together and it is not us and them, but it is our problem. It would be nice if 2500 people could tell us how to do it better, but it is not like that. I was asked again yesterday to come to Asia and to say how one could, eeh, like improve the field service in Asia and I replied ‘sorry, but… you at the market have to tell us what the market wants, what it provides and what we should provide.’ That is a joke, when somebody 5000 miles away says, ‘what shall we do’. I can only say, help, then we have not got further. And that is our… problem, we begin very, very low down, and on this [upper] level it does not want to be acknowledged. There is like a hope that there will be a miracle overnight.” (Transl., Volker)

Disillusionment with the merger seemed to have spread through the whole corporation and to be severe by 1998. Group wide, there seem to be several sources of this disillusionment. The
repercussions of the crisis in the Asian markets in 1997-1998 and a profit warning by Metra in the autumn of 1998 seemed to aggravate the already negative attitude towards the merger, because Wärtsilä made a loss for the first time in 1997. This was also the first time in the history of Wärtsilä Diesel. Due to its high degree of specialisation within the world of the diesel engine business the company is rather vulnerable to fluctuations in its markets. However, the future prospects of the company seemed to be seen as generally dwindling and people seemed to be inclined to feel powerless considering the situation of the company as a whole. Integration had apparently not lived up to expectations, and the merger hung over the company evidently devouring resources like a wild beast. Thus the merger seemed to have slipped into the position of a scapegoat, being blamed for almost anything that was negative.

“What I am a little disappointed in is that it has been somewhat slower to take care of these synergy possibilities, which one was very enthusiastic about in the task-force groups, so… It is a tendency that day-to-day life demands so much that this conscious, hard work… that, like, to consciously drive these things forward takes a little more time than what one believes. So it is the element of time, like always.” (Jack)

“So… people’s expectations are… that they’ll get something [a bonus] but they know it’s only going to be half of what it was last year and I’m afraid… morale may well suffer a severe blow if I have to tell them that there’s nothing. You thought you’re going to get half, but no, you’re not going to get anything at all… And I think people might have this a bit hard to accept. Particularly as they’ve worked pretty hard. And of those in the financial department who know about these things will know that a quite a large chunk of money is had to be written off owing to the merger. And some of that money has been written off simply because of additional and unexpected expenses.” (John)
In the individual units of the group, disillusionment with the merger seems to have originated from varying sources. These are explored in more detail below.

**Finland**

In Finland disillusionment with the merger seemed to stem from different sources. For one thing, there seems to have been a negative attitude towards the merger to begin with. It seemed to have been perceived as unnecessary in terms of not fitting the corporation because of both the ‘new’ 2-stroke business, which had been ‘fought against’ previously, and because of the remaining, i.e. overlapping, products. In addition, these products seemed to be seen as inferior or as being at the end of their life cycle. Thus the justification for the merger already seemed to have been questioned. Secondly, there seems to be a historical note to the negative attitude towards the merger. The previous merger experiences of members in the Finnish unit had been roughly that of ‘paying the bill’, which is not a set up likely to foster a positive attitude towards a merger.

“…but when it comes a few months after the deal is done, then one thinks a little that what was done here really? Was this thought through really? And this of course eats away at trust on various levels, when this kind of a situation emerges. That there is not the money coming in which should have come in and at the same time it is noticed that there is… now there is clearly a place again which will eat up management resources and… and money. In the same manner as, for example, SACM did. And in that way, like, it has been heard from many mouths that why did there have to be again one of these. Devouring time and money.” (Transl., Alpo)

A third evident source of disillusionment with this merger, particularly in the Finnish units seemed to lie in the area of how
integration, its management and its success, was experienced until then. The disappointing feature of this experience seems to have been the perceived lack of management in general and the perceived insufficient usage of the company’s previous merger experience in particular. Often interviewees would express their bewilderment about why the same mistakes had been made all over again. This was pointed out in a self-criticising manner as well, not only as a criticism of top management and others. In some parts of the organisation the exploitation of previous experience and ‘lessons learned’ did seem to have happened, but it did not seem to be detectable to all members of the group and was maybe also less easy to detect from the Finnish perspective. Ashkenas et al. (1998) point out that integration following a merger or an acquisition seems to be viewed more as a unique occurrence in the life of an organisation. Because of its traumatic nature the aim among managers seems to be to get rid of it as a task as quickly and painlessly as possible. Both these aspects do not seem to encourage the evaluation and utilisation of the experience for future use. Rather, it seemed to be solely dependent on individuals and their capacity to do so within Wärtsilä. There did not seem to be some kind of knowledge pool system for this kind of knowledge at Wärtsilä, which could have encouraged the collection and utilisation of previous experiences and ‘lessons learned’.

Winterthur

In the Swiss part of Wärtsilä, disillusionment with the merger can apparently also be pinned down to several sources. The initial attitude towards the merger did not seem to be negative. After all, the company had been the subject of ownership changes in the past years before the merger a number of times, another merger had fallen through, and thus this merger could not have come as a big surprise any more. What seemed to cause disillusionment after the initial hope the merger seemed to have
given within this unit was that the general communication and displayed behaviour from the acquirer’s side did not seem to correspond to the general idea in Winterthur of why New Sulzer Diesel had been bought. In Winterthur, the 2-stroke business had apparently always been kept separate from the 4-stroke business. One of the projected merger synergies of this merger was, however, the integration of these two businesses in terms of being able to offer marine customers a ‘package’ including the main and auxiliary engines for a vessel. The intention of the acquiring company thus seemed to have been to integrate the businesses of the two merging companies. This seemed to have been met with resistance and seemed to have caused disillusionment with the merger in Winterthur. For one thing, people seemed to feel that the general nature of ‘their business’ was not understood within the former Wärtsilä Diesel. Secondly, they seemed to interpret the communication as signalling that they were not being appreciated for their knowledge and expertise. One aspect of the disillusionment with the merger which seems to relate to this communication and behaviour feature is the feeling of ‘being left aside’, not being included in decision making.

Another source of disillusionment seems to have been New Sulzer Diesel’s 4-stroke engines, the Sulzer Z-engines. The perception of the decisions taken within Wärtsilä concerning the group’s engine portfolio did seem to vary. On the one hand people seemed to believe that the engines were to be phased out, on the other hand they were talking about a ‘market decision’ regarding the future of the engines. So some people in Winterthur seemed to have been very disappointed in that their engines would not be invested in, that they were supposed to be phased out. Then again it did not seem to be regarded as either necessarily believable or as fair to let the market decide which engines ‘it’ would prefer. To some extent it seemed to be understood that the group would not be able to handle too many products if it wanted to be profitable,
but the ‘how’ of decision making seemed to play a role in the disa-
ppointment and disillusionment regarding this matter.

“Two weeks ago, Bermuda… customer, which was very good
Sulzer customer, went for MAN… Not bought 46 engine… in
the public utility… He went for MAN… Nobody likes killer,
generally speaking, and the image of Wärtsilä is today is to… after
been killing Stork, SACM, now they are killing Sulzer… and even
if you don’t have any money to buy […] Sulzer engines, you don’t
like it. You don’t like it… Even if you’re not involved… Don’t like
this kind of companies who buy other companies and kill them
after 6 months. So, internally, I know what has happened in term
of merge, but externally, for me, it has been a disaster. Total disas-
ter.” (Renée)

**Mantes**

As mentioned above, the issue of the 4-stroke engines of
Sulzer also seemed to cause disillusionment with the merger in
the Mantes unit. If the experience of the reactions from customers
towards the decisions made about the group’s engine portfolio by
the group is negative, frustration becomes understandable. Losing
a deal means losing market share, and is not probably desired. If
the attitudes towards one’s own product(s) displayed by represen-
tatives of the acquiring company seem to be coloured by inferi-
ority, it would evidently not inspire a positive attitude towards a
merger.

In Mantes, of course, the disillusionment with the merger
seemed to stem from other sources as well, not only the product
portfolio issue. The extensive restructuring in that unit, even
though evidently handled well in the end, did seem to cause some
disillusionment because it seemed to have been perceived as con-
tradictory to the initial communication right after the merger.
Also, people on levels below the management team seemed to feel
that they had not been informed about the restructuring at the
time the management team had known about it. Whether or not this was the case is not important for the issue at hand; the important fact is that people seemed to experience it in this fashion. Thus, the perceived insincerity of the local management evidently contributed to disillusionment. A further disillusioning factor in the unit in Mantes seemed to have been the lack of job rotation, and especially the absence of employees transferred to Mantes from the acquiring company. This shortcoming seemed to foster disbelief in the future of the unit and thus in something positive emerging from the merger.

*Grandi Motori & Diesel Ricerche*

At GMT the core source of disillusionment with the merger seemed to have been the slow development of the emergent change it was expected to bring with it. Enthusiasm with the merger and the possibilities it seemed to offer was apparently so high at the beginning of the merger that the lack of action(s) and the expected changes seemed to be perceived as a setback. Some disillusionment with the management of GMT seemed evident as well, because some managers seemed to be perceived as resisting change. In addition, in this unit, too, job rotation seemed to be perceived as insufficient, which seemed to cause distress.

> “Because if you have a minority you have always also a majority, so when you have a majority you have to deal with the majority and probably the interest of these is different than ours. So, that delays in a way in the operations from day to day to get things done, things are very slow. On the other hand, if we would have started with a complete ownership we also would have got the complete mess and I think that was not the idea.” (Paul)

At Diesel Ricerche the disillusionment with the merger seemed to stem from the same sources as in the case of GMT, but the scepticism of the unit’s management seemed possibly to go
even deeper. What seemed to foster some disillusionment in connection with the merger in this unit was the feeling of not being appreciated by other units within the group.

**Network**

In the network, disillusionment with the merger seemed to be growing here and there, to varying degrees, depending on the shape and stage of the merger in the different network companies. As mentioned above, the merger did not affect them in the same way. Disillusionment within the network could be pinned down to a number of more general undercurrents. For one, it seemed to stem from how the merger and its integration were handled. This undercurrent again seemed to fall into two areas: how the merger was managed group wide in terms of creating a coherent image of the corporation toward the market and how the physical integration with joining offices was implemented locally within the Network Company. The experience of post-merger integration within the network seemed to be that comprehensive directives and actions did not follow to the extent expected. Thus the perception seemed to be that communication and behaviour could not be harmonised throughout the group. Disillusionment with the implementation of physical integration seemed to originate from aspects related to the time schedule for implementation, salary and other contractual benefits, premises and their utilisation, procedure related directives and the division of labour and responsibility. Another undercurrent of the disillusionment with the merger that seemed to have emerged in the network could be pinned down to the apparent clash of incompatible business practices, especially in the area of service.
THE PROBLEM AREAS evidently most significant in terms of counteracting post-merger integration in the merger between Wärtsilä Diesel and New Sulzer Diesel were the inherent difference in business practice between the merging companies and the disillusionment with the merger that seemed to have set in early on during its post-merger integration. What occurred to me as remarkable during the analysis of these problematic aspects of the merger was that they were evidently unexpected. Interviewees and other organisational members (as observed at training courses) seemed to be overwhelmed by and consumed with if not their emergence then at least the extent and impact of them. People did not seem to have expected to find such substantial differences in business practice. Neither did they seem to have expected so little understanding of ‘their way’ and their views. Also, they did not seem to have expected the merger and its post-merger integration to commence as it did – or they seem to have expected it to commence differently. Elongating this list further at this point would be possible, but in its present size it serves its function in laying the ground for the following discovery; one possible underlying shared denominator for these problem areas seems to be expectation versus experience.

Even though the data on the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel were retrospective and people were clearly not ‘in the middle of the merger’ any more, the ‘element of surprise’ was detectable in conjunction with the problem areas of this merger as well. People did not seem to have expected such fierce internal competition, and certainly not for it to go on for as long as it did. The terminology employed in this merger clearly seemed to have fostered a certain type of expectation, particularly on the acquired company’s side. Expectations of the management of the post-merger integration process seemed not to
have been met either, considering the astonishment at the difficulties with the ‘original top management’ of the acquired company and the perceived insufficiency of post-merger integration management in general.

As the findings from both mergers were examined and compared, again the gap between expectations and what was experienced could be detected to evidently be an underlying shared denominator that could explain the perception and interpretation of the problematic aspects encountered in the case mergers. Therefore, the role expectations seemed to have played in the case mergers will be examined in the following.
In this chapter the role of expectations in mergers and post-merger integration will be examined. This examination includes the different areas that evidently evoked substantial expectations in the case mergers after a more general introduction. Thereafter, the significance of expectations in mergers and post-merger integration is discussed in light of their influence on mergers and post-merger integration.

A merger seems to raise expectations simply by being perceived as a (specific type of) organisational change. A perceived change evidently indicates to people that something will happen, change means that things will most likely not stay as they were until then. That would be the expectation of a change in general, lying in the nature of change. A merger seems to raise expectations because it seems to be viewed as an organisational change of substantial proportions and because it ‘happens suddenly’. The expectations of a merger in general apparently include the different areas of a merger, such as the synergy effects of a merger, the business opportunity it was supposed to provide, expectations regarding investments and such. Other areas where expectations seem to set in are the effects of a merger; strategic and/or organisational changes, changes in staffing and the like. Again, it needs to be pointed out that the discussion above and below should be viewed with regard to the type of mergers examined in this study; the kind characterised by a high degree of integration.

In the case mergers, expectations seemed to have been far-reaching. What was expected of the merger between Wärtsilä Diesel and New Sulzer Diesel, for example, seemed to be substantial from its beginning.

“Let’s say, the recent merger is, from my perspective, one of the most big steps, quantum leaps in this line of business. And
it creates even more potential for the future. Because all the technology, the people and the experience we are now trying to co-ordinate, it’s tremendous. You can learn so much from each other.” (Ruben)

These words, stated by ‘Ruben’ in May 1997, i.e. shortly after the official announcement of the merger between Wärtsilä Diesel and New Sulzer Diesel, illustrate the high expectations that had evidently been present in many parts of the merging companies at the beginning. A ‘quantum leap’ implies high expectations as to the benefits of the merger, as it can generally be interpreted as standing for something beneficial and positive.

The disillusionment with the merger described above and the perception of it in the spring of 1998 as failing or already failed can be explained by expectations of the merger apparently not having been met. As stated above, the merger between Wärtsilä Diesel and New Sulzer Diesel seemed to be accompanied by, if not enthusiasm, then at least a positive reception at the beginning in many parts of the merging organisations. This seemed to have been the case particularly in the acquired units. The positive outlook on the merger seemed to have turned sour; by spring 1998 the people in Winterthur, for example, did not seem to feel appreciated for their expertise and know how in their line of business. Instead, they seemed to have a feeling of having been ‘left aside’ or ignored in, for example, decision making. This seemed to be contrary to their understanding of why they had been acquired in the first place. Their understanding had been that they had been acquired primarily for the line of business they were in, i.e. the 2-stroke business, which Wärtsilä Diesel was not engaged in prior to the merger. So their expectation seems to have been that representatives from the former Wärtsilä Diesel organisation would try to learn from them what their business was all about, how it functioned, what its characteristics were. This expectation, however, did not seem to have been met.
“… a merger is for me when two companies decide ‘we will join together and do something new and…’ that is not so… I mean, it is in fact not so, if you look… ‘who buys, orders’, but the psychological element, that one can make it a little different or communicate it differently outwards, and towards the customers… we always said ‘yes it is’… still talked about a merger. Also for us that was important, one does not want to... like the German shipowner who said ‘you are being bought here’, that should not be like that… But we always said that we had… it was decided to join the activities of the Wärtsilä group and the NSD group. It is a question of communication, yes, that is also the only thing that one can represent at the market, otherwise we would be complete bygones, if we say that we are being bought… if we admit that. And internally it should have been communicated more in that direction also, but that is maybe also the question of mentality… eh… ‘we have bought, yippee, we have made another conquest, now we go forward and conquer something new, then…’ I mean that it probably will not be so easy to digest something like this, in terms of dimensions and in terms of the difference of the business, either. And I had, from the beginning, personally… I was much, much more positive half a year ago or three quarters of a year ago, that… then I supported it totally, but… I support it now also, but then I found it first-rate and a superb solution and all and… now in the mean time I am a bit more realistic, really, or more subdued, in that I see more difficulties now than I thought… (Transl., Wolfgang)

In the Finnish part of the corporation, the expectation of the merger seems to have been that it was ‘just another one’ in a sequence of acquisitions. Against this expectation, some of the communication and decisions on the merger as well as top management behaviour did not seem to correspond to expectations, evidently causing frustration. Likewise, expectations of the merger seem to explain the frustration detectable in the feeling why ‘nothing was happening’; the perception that one had to wait too long for actions, for things to happen. At GMT and Diesel Ricerche,
for example, there seemed to be a case of enthusiasm turning sour; frustration seemed to be growing because of perceived stagnation of integration. Due to the initial enthusiasm about the merger as a breath of fresh air, a chance, expectations of the merger seemed to be very high in these units in terms of a change for the better really taking place and doing so soon. The anticipated changes were not perceived to have taken place, however, and within Diesel Ricerche the situation was apparently perceived as having changed for the worse.

“… there were large expectations of this… when Wärtsilä came into the picture, ‘now there will blow new winds’ and then… they noticed, okay, now there was a new wind, but it was, like, contrary, reverse.” (Transl., Dan)

In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, expectations that seemed to have influenced the merger and its post-merger integration process evidently existed as well. The perceived loss of time seems to have been perceived and experienced as something frustrating because it did not correspond to people’s expectations of how long integration should have taken. As evident in the above portrayal of this particular ‘problem area’ in this merger (see chapter V), integration was perceived as ‘having taken too long’ by and large.

On the acquired company’s side, the merger seemed to generally have been welcomed; the need for a partner in order to survive was evidently acknowledged. However, the fact that the merger was ‘sold’ and communicated as a merger (by the acquiring company) and even as a joint venture (by the acquired company management) did seem to influence the expectations of a picture coloured by independence and a low degree of integration. The perceived arrogance displayed by some representatives of the acquiring company was also counter to the expectations of ‘merger behaviour’ in this merger.
On the acquiring company’s side, the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel was evidently perceived and interpreted more as a takeover. It seems that the terminology used, i.e. the merger being called a merger, did not correspond to what people had expected of the deal. Neither did the occurrences after the deal seem to conform to the expectations of the merger; the internal competition and the perceived loss of time evidently contradicted what people had expected.

A change process as substantial in size as a merger is evidently connected with expectations regarding its form and impact from its start. For one, it seems to disrupt the expectations an individual in an organisation has of it and vice versa. These expectations are considered to form the psychological contract that an organisation and its members enter, individually and independent of each other. The happiness of both seems to rest on the degree of fit between these two sets of expectations. (Statt, 1994) Secondly, a merger seems to evoke expectations as a perceived (possible) change, the start of a change process. Previous merger experience and other knowledge or preconceptions of the phenomenon would play a role in determining the nature of an individual’s expectations, as understanding new things is influenced by, for example, past experiences, cultural assumptions and other people. (Black et al., 1991)

…when an individual changes roles, certain elements in the total situation bring about confusion. The transition is compounded or simplified by the number and importance of novel or unexpected elements in the situation and by the person’s internal reaction to those surprises. Discrepant events require explanations, which are developed, and attributions are made based primarily on an individual’s familiarity with past events and his or her expectations about the present situation. Based on this, modifications in the person’s expectations are made for future events, and the cycle continues. (Black et al., 1991, p. 299)
These kinds of determinants as previous experience, for example, are evidently highly individualistic. In spite of this ‘individualistic colouring’ of expectations, several possible influential areas of merger and post-merger integration related aspects could be identified in this study. These seemed to have a collective connotation when shaping expectations of a merger, because organisational members were confronted with them and evidently had to engage in them to some degree in order to understand and make sense of the organisational change they found themselves part of. These aspects were

- ✓ the marketing of a merger (by its advocates) and the potential synergy that is emphasised within the frames of this marketing
- ✓ the employed ‘merger terminology’
- ✓ the notion of integration in terms of ‘integration need’
- ✓ the management of post-merger integration (with specific aspects related to the top management of a company as well as communication).

We shall now proceed to examine these aspects of merger-related expectations in more detail. Before we do so, it should be pointed out that these ‘determinants’ are not independent of each other. On the contrary, they bear elements of each other and overlap; this will be evident in the discussion below. Due to the pragmatic approach of this study, they will nevertheless be examined separately, because this gives them the space they deserve, as they were discovered separately, regardless of their interdependence. Also, their ‘separation’ in turn gives space to pointing to implications in practice, which will be discussed further below.
...the efficiency theory nevertheless provides an efficient language for ‘selling’ mergers. Mergers need marketing just like products, and effectively addressing the public or regulatory institutions in a merger may be critical to its success. (Trautwein, 1990, p. 293)

The ‘marketing’ that comes with a merger could also influence expectations of this kind of organisational change within merging organisations. Mergers are often ‘promoted’ by their expected synergy potential. This is argued to be able to kindle ‘high expectations’. (cf. Shrivastava, 1986) The advantages of a merger seem to be highlighted in a ‘merger marketing process’ and seem to get a lot of attention within a company, but possibly even within a whole industry. The organisational change evidently needs to be justified.

Quite often, though, these expected synergies serve foremost to gain support from various groups: they rarely represent a realistic appraisal of what the two firms can create together because operating managers play a limited role in the pre acquisition analysis. (Haspeslagh and Jemison, 1987, p. 54)

According to Bradley and Korn (1981), each acquisition would usually have a sponsor or several sponsors within the acquiring company. It would then be the sponsor’s responsibility to make the deal attractive to the stakeholders and especially the shareholders of the company. This seems to put a merger’s sponsor in the position of becoming an advocate rather than an objective analyst. Consequently, the tendency seems to be that overoptimistic sales and earnings forecasts would be promoted and the problems associated with integrating the business and achieving the forecasts would be underestimated. (idem) It would seem understandable that the individual(s) supporting a merger would
want to present it in as good a light as possible. Once the merger is completed, however, expectations of it could be high throughout the organisation, because the acquisition was made to look positive, maybe even overly positive. Once the deal has been made the merger sponsor(s) evidently would have to keep concentrating on the forecasts and the positive effects projected for the merger, because they would otherwise risking communicating that they made a ‘bad decision’.

‘Merger marketing’ seems to create expectations of a merger, mainly in the form of the projected synergies the merger is supposed to provide. The merger between Wärtsilä Diesel and New Sulzer Diesel, for example, seemed to have been ‘sold’ with assurances of the advantages of packaging products, of a larger base for technological know how and of an increase in production and other facilities and thus more opportunity for development. According to the first issue of the intra-company newsletter ‘Merger News’, for example, the merger held the following synergistic advantages:

- Increase in competitiveness through utilising synergies in R&D, marketing, production, sales, service and purchase
- Offering of complete product portfolio of the newest generation from 1 to 66 MW, high-speed, medium speed and low-speed engines
- Increase in global presence of the group through the development of a sales and service network and a network of licensees
- Utilisation of both company brands, Wärtsilä and Sulzer
- Creation of a new and integrated corporation with a new, uniform identity
This list provides an idea of what kind and in what fashion the merger between Wärtsilä Diesel and New Sulzer Diesel was marketed internally in the case company. In addition to written communication, there were presentations by representatives of top management at seminars, conferences and training courses. Also informal ‘coffee room’ discussions and the like would probably influence one or the other organisational member in understanding the merger. To gain an idea of how people understood the synergy potentials of this merger, the following list is put together from the individual interviewee accounts on what they perceived and expected to be the synergies of the merger:

- Marine business – making the marine ‘leg’ stronger
- Marine business – increased market potential
- ‘Completion’ of product range (2- + 4-stroke)
- Increase in size in relation to competition, being and staying ‘number 1’
- R&D, technological expertise
- Market contacts
- Market value of acquired brand names
- Ability to offer complete ‘packages’ to customers (2- & 4-stroke, propulsion) with the same crew, not by separate units/teams
- Increase in installed engine base
- Difference in dealing with customers (experience)
- Cost reductions (purchasing, marketing etc.)
- Production assets
- Increased possibility for internal benchmarking

These synergies, descriptive of how the interviewees ‘made sense’ of the merger, seemed to be viewed with increasing pessimism throughout the group during the first year of post-merger integration, especially by members of the former New Sulzer
Diesel organisation. Time seemed to play a role in conjunction with what was expected of these synergies, because the materialisation of synergies seemed to be expected to occur faster than in the end seemed to be happening. This in turn can lead to disappointment, disillusionment, even cynicism towards a merger in general. Even if a merger’s synergies are perceived as insignificant and the merger motives would not be understood, the reaction would seem to be of the same negative calibre as above.

“The synergies are limited. Synergy has meanwhile… become a somewhat trite word and I do hope that I will never have to calculate the synergies for this merger. Okay, you can say that due to the union we have fewer people, lower costs, those are real synergies. How much you really have won on the market, that is difficult or impossible to establish.” (Transl., Helmut)

“Firstly it was expected like that and secondly we also had the hope, that foremost in the network, where I look to now, service, I did of course hope that there would be much more potential in the network, and that is unfortunately not the case. We have too many administrators, also at Wärtsilä, the former Wärtsilä side. It was not like that just with us. So, all disappointments from the past now materialise in a grand style by more people, eh, on the Wärtsilä side likewise. That means that we all really begin on a very low level, eh, in different regards. So, if we talk about competence, technical competence, to really be able to sell the company as a package and not only discuss prices every day… every idiot can do that, discuss prices. And I mean if I give you a 20% discount, that is not a sale. That is not what we want. And they… for us it has also been a sobering up, that really the level of how to approach the market, how we want to work together, is just not better than what we had before. And therefore 1 plus 1 equals 3 moved into the far distance again.” (Transl., Volker)

Some synergies seemed to be acknowledged, nevertheless, but often they seemed to be viewed as impossible to accomplish, either
because people felt it was too late or because they felt the prerequisites for their accomplishment were not given after all.

“Oh, there was a huge amount of synergies. There was... the powerful, I mean the structure, as I told you, of Wärtsilä... portfolio which was not... not bad... on one hand... On the other hand, there was one century old company... large market... very well known... and... if we reach to this level of knowledge is because there was something good in that... and so, there was name, product was good... the people was very old and... very old, very experienced people... and this was really something very valuable. Look at the situation today, there is no more... nearly no more Sulzer engines... people has been fired... and the name of Sulzer is not... in the slow-speed yes, but... otherwise... as disappeared from the market... And perhaps this was a target, but I would certainly not talk about merge now. Merger is finished... it has been missed... The valuable things are over...” (Renée)

The other common opinion concerning synergy seemed to be that there were numerous synergies, but much hard work would be needed to create them. A possible explanation for this perception of having to work for ‘it’, as opposed to taking it for granted as a self evident matter would be that the interviewees did not expect ‘success’ to be behind so much hard work.

“... if you already talk about mergers and synergies and about 1 plus 1 being 3, sorry, that... that is plainly not so. That has to be really damned hard... has to be worked for, together, and everything else is pure imagination.” (Transl., Volker)

Who would have to work hard on what in particular was generally not mentioned. Possibly this was due to the perceived complexity of achieving synergies, as it evidently involves the whole ‘merged’ organisation. That could also be the explanation why the achievement of synergies seemed to be viewed as, i.e.
expected to be, a top management responsibility in terms of coordination and follow up.

“And it was a little bit of a bluff at the beginning to say that there are synergies… Of course there were these synergies, but since one stuck to two separate organisations, one did not even let it happen. So, I think we wasted a year on that… at least one year.” (Transl., Bertil)

Naturally one has to bear in mind that the whole question of synergy is individually coloured. A synergy’s materialisation and utilisation seem to be dependent on how an individual defines them and what the attitude of that individual towards a synergy and a merger is.

“Well, there is really, on the basis, a positive attitude there, and also a readiness and an action… eeh, a sort of ‘action wave’, we do also a lot, but we could for sure do it a lot better…” (Transl., Beat)

“I think that only now the synergies are beginning to come. So, we have lost all of this time on this… that it was too much politics and too little… best practice. Synergies are everything from that… I believe that, like, on the engine sales side the big synergy comes from… Now that we have combined licensing and marine… now we have a unit. Only now are the synergy effects starting to come. Only now have we guys who can go to a ship-owner and say that our main engines… okay, they are manufactured under licence in Japan, but they are our Sulzer engines and these auxiliary engines… Later you get service from one place… if it is Portugal or Germany, Singapore, makes no difference… and these are the… until now we have always gone… These first years we have gone separately to the customers and had a separate message. Only now are we going with one message… to the customer and say like this. Only then can we get synergy effects. Okay, then these other synergy effects that… not to do… and it has not come
either because you have had separate business units, that begins to come only now. Now it is the first time that we see the budget, for example, in the way that… marketing or sales promotion… how many persons do we have in the whole group, and how many do we need. Only then can you get any synergies… those kinds of cost synergies. And on the service side it is the same thing. Only when we start to combine these and they can… A guy can go on board and say that this is your problem with the Vaasa engine and this is your problem with the Sulzer engine. Then first the customer starts to see that there are some synergies… Of course there were these synergies, but because one kept two separate organisations, one did not even let it happen. So, I think that we lost one year on that… at least one year. So that… Other synergies that you can say are that… Okay, I mean, it starts to be… Are there synergies in product development… maybe something, yes… And then the next synergies that come… we have a Vaasa… or a Wärtsilä 38 engine in Holland, which is exactly as big as the Sulzer Z 40. And there would be enormous synergies there, if one would just exploit them…”

Q: “In engine technology?”
A: “Not in engine technology, but the Z 40 is an old engine and the 38 is a new engine. And the Z 40 is… The synergies come on the day when one admits that the Z 40 is the most successful engine in that category that has ever been produced. And that is not being done yet, but currently one talks about the old, inferior Z engine and the new 38. And the Z engine is still sold… it is much easier to sell than the 38, because it has such an enormous reference list and… That there we would get enormous synergies if we just said that this is the Z 40 and it is in the process of becoming an outdated engine and we will replace it in the group with the 38. But now we are putting them against each other. It is us who create non-synergies, not the customers. Other synergies are… Okay, we should… cost synergies… we should combine these offices… you should get cost synergies… combine the spare parts sales… That is now… But these gigantic… gigantic synergies everybody was talking about at the beginning, so… they are coming, but it is not happening.” (Transl., Bertil)
The merger between Wärtsilä Diesel and Stork-Werkspoor Diesel seemed to have been marketed with its aspects of growth and expansion into Europe, particularly within the Wärtsilä Diesel organisation. According to the annual report of Stork Wärtsilä Diesel for 1990, the merger brought with it:

- a comprehensive product range, marketed globally by all Wärtsilä group members, each in their own market sector
- a ‘potentially very strong global sales network with a well matched product range’
- co-operation in R&D
- new development projects
- co-ordination of production plants in large components
- a joint sourcing policy

Joint sourcing, benefits in R&D and new products are mentioned as the synergies of the merger by interviewees as well, and they seemed to have been expected. Nevertheless, improvements within these areas were evidently also perceived as possible, at the time of this study.

“Well, few of the examples I said already, like joint sourcing, R&D, that’s basically the whole essence of the success of the Wärtsilä group. Being able to get the same product philosophies, because product philosophies they are there… You were easy to adapt them on the whole range of products and, so in a very efficient and cheap way you are capable of building power plants in a very short time frame. That’s a real benefit, I mean, why have a different design everywhere in the world if you can have one design and update it on one place… it saves you fortunes. The same for the joint sourcing, I mean, if you can… you have an enormous purchase power if you combine the group. It’s still
not done on all respects, we’re doing it for purchases on projects, the material purchases. Manufacturing hasn’t really joined their sources yet, but you can do it on all kinds of …. Even for insurances, you should look for a global policy instead of every country developing their own insurance packages with their local brokers. You can save a lot of money if you can go to a big broker in the world who has a global presence and say, OK, this is the Wärtsilä group, we have so many billion turnover, we want to develop a package with you. All these aspects will become more efficient, more cheaper and less risk, if you can source them all over the world. And that’s being done in a very neat way, that it still keeps the flexibility within the different units all over the world….”

(Rogir)

One benefit of the merger evidently perceived as a synergy after the merger that seems to have surprised representatives of the Stork Wärtsilä Diesel organisation was the adoption of the ‘business approach’, i.e. ‘way of working’, of Wärtsilä in terms of sales and ‘product philosophy’.

“Because the positive things of the, well, if for instance, the way the Wärtsilä people looked at the whole manufacturing process, where it was taken for granted that we lost on selling engines and we got profits on service. The Wärtsilä people said ‘that’s ridiculous’! You… It must be possible to earn money on selling the things. And then a whole discussion came up and it was clear that the whole industrial approach of Wärtsilä was far more sophisticated than the traditional, more technically oriented approach of SWD, the Werkspoor group. And, on the other side, purely doing business, like it was developed on the marine area here in Holland, the Dutch way of doing business was also new to the Wärtsilä people.” (Karel)

The surprise at and frustration about the internal competition lingering on for the time it did after the companies had merged was, as mentioned above, not expected by either of the
merged companies. Also, it evidently went against the expectation of ‘becoming one company’. Within the former Wärtsilä Diesel organisation, frustration over the investments in production facilities and new engines that were made in the Dutch unit seemed to prevail because the Dutch unit had not become profitable at the time of this study. Synergies were thus evidently perceived to be scarce in this perspective, as especially representatives of the corporation’s Finnish units perceived ‘themselves’ as ‘paying for it’. Also representatives of the Dutch unit seemed to hold a similar view.

“Because from… probably from a very financial point of view, right now you would have said we have bought a lot of people and a lot of square meters and a lot of machinery, which probably today we will not use. So from that perspective you probably can say there’s no synergy right now. But… Probably that’s why it was the best decision, because right now it may be not the way we want it, but it creates value for the future. Where, in the line of work we are in, you need that.” (Ruben)

“… with old products and old factories you cannot prove to be better. You have to change. We changed and now we have to show that we can be profitable. It’s not to prove to others. It’s just to, I think that we have the commitment to see… to let see the benefits of the change. That is what we are committed for. (Rein)

The expectations of a merger seem to be coloured by its initial marketing and the synergy potential that has been promoted at the beginning. Not taking into account individually coloured attitudes towards mergers and synergy as such, this marketing and the actual occurrences and materialisation of the potentials seem nevertheless to influence the expectations of a merger not only in the beginning, but during its post-merger integration process as well. In the case mergers, and particularly in the merger between Wärtsilä Diesel and New Sulzer Diesel, expectations seemed not
to have been met and the attitude towards the merger seemed to have deteriorated as a consequence. In the next section, another feature that seems to have a similar influence on expectations of mergers and post-merger integration will be examined.

‘MERGER TERMINOLOGY’

Some of the expectations of a merger can evidently be coloured by the terminology used in conjunction with this organisational change and its related communication. The term merger seems to cause bewilderment and certain kinds of expectations of what is going to happen and how it eventually comes about in both the studied mergers. In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, the general feature of this terminology aspect seemed to be the discrepancy prevailing between the terms merger, acquisition and takeover. In the merger between Wärtsilä Diesel and New Sulzer Diesel, too, this seemed to have been the case. As explored above, the term joint venture was involved in the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, but did evidently not come up in the merger between Wärtsilä Diesel and New Sulzer Diesel.

As discussed above, the term merger in particular seems to be subject to differing definitions. (cf. chapter V, section on ‘merger terminology’ and/or Frommer, 1998a) Generally, the terms merger, acquisition and takeover also seemed to be placed on a continuum from more positive to more negative in the merger between Wärtsilä Diesel and New Sulzer Diesel. This had been the case in the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel as well. Due to this difference in perceived positivity or negativity and hostility, the different terms seem to be ascribed different content and characteristics. The most common definition of a merger seemed to be that it was the combination of approximately
equal sized companies or that the ownership structure would be more that of a 50 – 50 division between shareholders. The following quotes from interviews on the merger between Wärtsilä Diesel and New Sulzer Diesel exemplify this.

“Well, a merger is when one, like… two equal parties, like… merge, and one gives to the other and one… That is a merger. And a takeover is when a stronger party takes over a weaker one and… the result of a takeover is that either the company is liquidated after a while or one helps it and pumps in money and one takes it and then little by little it becomes a… but a merger, then one does not have such kind of thoughts, that… then one is equal and then one works… then one merges and works… And this is not a merger.” (Transl., Dan)

“Before… going into this, I would like to mention something about the merger, I mean… You have a long discussion here about merger-takeover. I don’t consider it as a merger. This… It’s a total takeover. From the financial point of view as well as from the people’s point of view. Merger is something very specific, I mean you really merge when you have two companies having the same weight… the same… or actually… the same knowledge… same competence, and you put them together. Then you can talk about a merger. More or less. But this was not a merger.” (Jean)

“A merger will always become a takeover when the two merging partners have larger… eh, discrepancies in size and also in the weight of the shareholders. So if, for example, this had been a merger, Fincantieri had stayed in with 50%, then one could have talked about a merger more likely.”(Transl., Walter)

“How we again… how much this is a… a merger, well, it is, like… the financially driving part is in any case Metra and Wärtsilä, Wärtsilä Diesel. It was us in any case who put the money on the table and said that now we shall… now we go on.” (Transl., Björn)
“I think it is better to use merger... because... it is for many people... If one talks about a takeover, then that is... maybe a bit oppressive. So that, in my opinion it is right to use that. It can be a bit oppressive when it is said that Wärtsilä took something over... I see it as the right solution. It was just a little weird for me at the beginning when one talked about a merger... what this now is... That, of course, if one thinks about it from the point of view of the businesses, then it, of course, is some kind of a merger... in any case, even if... it is in a way a takeover.” (Transl., Lauri)

“Yes, technically seen it is a merger, on paper and according to all... I mean that it is Metra and Fincantieri who joined their businesses into one company... But it is a fact that the old Wärtsilä is nevertheless 80% of the business, so that is clear...” (Transl., Stig)

Noticeably, Wärtsilä was seen as the dominant merger partner in the merger between Wärtsilä Diesel and New Sulzer Diesel in terms of size and its extent of business. This perception seemed to exist throughout the group, in all merging units. Wärtsilä’s dominance in size, financial health, profitability and market share thus seemed to run counter to the evidently predominant perception of a merger being a union of ‘equals’. Another feature of the definition of a merger, evidently originating in the expected initial ‘equality’ of the composition of a merger, seems to be that the organisation of the company after the merger also includes more equality in terms of more inclusion of all merged parties. This points in the direction of co operation instead of dominance.

“For me, a merger is approximately... all people in the board, it a mix... of people of the different companies... It’s not the case here. It’s better to present it like a merger, okay, it’s better to... to communicate with the people and... But it’s not clear, because it’s a takeover, in fact. In fact it’s a takeover. And perhaps it... would be more clear if we talk that... takeover... Wärtsilä
bought NSD… for me… Because the merger involve confusion. We think it’s a merger with… possibility to apport to… something from each company, but it’s not really that. And… I prefer… clear things because, for me, from the beginning, it wasn’t a real merger.” (Marcel)

Q: “And how would you define a merger?”
A: “When the parties involved in the merger are of equal… worth, let’s say… and they… I don’t know… say… what… Nestlé and Cadbury merging or… Shell and Mobil…”
Q: “Or Daimler and Chrysler?”
A: “Yes. I mean, they’ve got… They brought most of the money into the merger, didn’t they? And they’ve got a lot more engines out there than Sulzer ever had. Although… it’ll be a different type of engine… and presumably a lot more customers than Sulzer have ever had. We shall see. But, I mean… it does look that way, doesn’t it, you know… Mantes being… just about surviving… Winterthur being pruned down and looks like it’s the Sulzer people who are suffering rather than the Wärtsilä… I haven’t heard of any Wärtsilä people being… made redundant or anything, I mean, presumably there have been some somewhere, but… I haven’t heard of anybody.” (Jeff)

“Of course it’s a takeover, because we had no real power and no real decision on how it would be. It’s the Wärtsilä way of doing things which has been imposed on us. Okay, we agreed on it, okay, but we had no chance to make things go the other way around.” (Claude)

Evidently, the perceived ‘50-50 division’ and co operative nature ascribed to a merger seem to influence the initial expectations in a parallel fashion. Co operation, mutual respect, and the like, seem to be expected of all merging parties, also of the acquirer. Commitment to the mergers seemed to suffer when these expectations where not met, fostering disillusionment, resignation and even resistance to integration. The expected behaviour seemed
to go hand in hand with the ‘positivity continuum’ or ‘hostility continuum’ that the terms merger, acquisition and takeover are generally placed upon. Aspects of behaviour within the case mergers are therefore examined in the following section.

‘MERGER BEHAVIOUR’

Behaviour is evidently one area of mergers that can cause bewilderment and frustration and thus influence post-merger integration. The organisational changes examined in this study were called mergers, and in both cases it seems that a specific kind of ‘merger behaviour’ seemed to have been expected, particularly within the acquired companies.

“But I think that the comment by the guy from Sulzer, when he said, that it should be clearly said in this situation that this is not a merger but a takeover, everybody knows that Wärtsilä has bought this company… … …that this is a takeover but one could behave as if it was a merger.” (Transl., Mika)

Because a merger seemed to be defined as a joining of equals, the behaviour expected would follow along these lines as well. This did not seem to include any kind of ‘calling the shots’ behaviour from the acquirer’s side. That kind of display was evidently ascribed to takeovers.

In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel the expectation seemed to include ‘joint venture behaviour’, as this term was circulating within the acquired unit as well. The definition of the ‘ideal’ acquisition behaviour thus seemed to be connected with the terminology issue, i.e. how the different terms were defined seemed to influence the expected behaviour. Disappointment and frustration seemed to set in
within both mergers, because the expected behaviour did not seem to conform to what was expected of them.

“Well, it’s gotta look like it’s… the… I think what they’ve either got to do… is sort of gradually dismantle the Sulzer side completely… and say bye-bye, it was nice knowing you – or they’ve got to realistically combine the two. I don’t think they can continue as they are at the moment with… it’s like Wärtsilä is the mother and Sulzer is this… the little kid and they’re dragging it to school or something, against its will. I think they’ve got to… you know… sort of… make it feel more at home, or… get rid of it.” (Jeff)

Within the merger between Wärtsilä Diesel and New Sulzer Diesel, expectations of ‘merger behaviour’ seemed to vary in between individuals and units. In the network, for example, the disillusionment with ‘merger behaviour’ seemed to vary from country to country, depending on the extent of the ‘demanded’ integration and how measures for integration were handled. How the implementation of integration was perceived also seemed to depend on factors such as location and levels of salary. Even though expectations of the mergers have apparently varied from place to place and person to person, commitment to the merger seemed to have suffered by and large from this issue. Representatives from the former New Sulzer Diesel organisation seemed to have expected more cooperation and less ‘takeover behaviour’. When their experience of what actually took place after the merger leaned more towards their understanding of ‘takeover behaviour’, commitment to the merger seemed to decrease, because it evidently did not conform to their idea of ‘merger behaviour. The interpretation of the term merger and the ‘reality’ of what was actually experienced seemed to produce a disappointed, disillusioned and, in some cases, even negative attitude towards the merger.
“Wha… wha… I’ll tell you. In Sulzer there was two activities, there was the slow-speed engine, which is really an acquisition, there was no slow-speed engine in the Wärtsilä group, so there is no question of merge, we are… you are buying… taking an activity now. Legally, is a merge… a takeover… it could be anything, but you are buying something you didn’t have before. And there was a Sulzer engine, the medium speed, which was definitely in competition with Wärtsilä engine and this will disappear within… months… weeks or months or so. So, there is nothing else to merge. There is just an excess of people that will be fired in the coming months and in October… November… 200 or 300 people should be fired here and there and there is nothing else to merge. So… I thought you were talking about the past, not the future… there is no future for the merge… in my point of view. Is nothing left… what you want to merge…” (Renée)

Q: “What would you say, is this a now a takeover, a merger or what is it?”
A: “Well, a takeover… I always hoped in the EMERGE programme, that one could still get the message over that it is a takeover but that one should behave as if it were a merger… as if it were two equal partners, who come together and do something new, but it is not that.” (Transl., Wolfgang)

“Hm, how should I say that… I think that we… I would like to say it like this, I think that in the… in the consciousness or in the opinion of Wärtsilä… I think I also heard that, heard it formulated… ‘We have taken over another rotten apple’, yes… and… that is, I think that it was surely felt like this at the beginning and… certain appearances were like that. But I think that that is getting better, slowly but surely. The question is how long does one bear it? Or wants to bear it? I think that those EMERGE programmes were a first bright spot in this respect… the rotten apple is not rotten at all and that… this realisation has reached the other side, I think that is very good.” (Transl., Beat)
The issue around ‘merger behaviour’ seemed to be particularly sore in terms of the behaviour of acquiring company representatives. In both studied mergers, representatives of the ‘old’ Wärtsilä Diesel were blamed for displaying superiority and arrogance towards their new colleagues. Unfortunately this seems to be a common aftermath of many corporate combinations. Cartwright and Cooper (1993a), for example, point out that the approach of a dominant partner is characteristically arrogant and insensitive.

In the context of most M&A, integration means the successful imposition of the existing culture of the acquirer or dominant merger partner on the other rather than the fusion or blending of the two. (Cartwright, 1998, p. 7)

This is sometimes called the ‘conquering-army syndrome’, which usually involves middle managers and staff personnel rather than top managers. In their eagerness to exercise their responsibilities, managers can demoralise the acquired organisation by giving orders, making requests and taking actions with little concern for the reaction to and consequences of their behaviour and possibly even ignoring the initial merger reasons. The acquirer or dominant merger partner seems to believe that only it ‘knows’ how to run a business successfully. (Bradley and Korn, 1981) This is considered to be explainable by a strong emotional attachment to a deal (Eccles et al., 1999) or perhaps a company. Vaara (1999) also points out that managers who identify themselves with the interest of their own units can become ‘agents of internal politicking’, which in turn can lead to increased internal division and generally worsening relations. The exaggerated emphasis on a manager’s unit can stem from plans affecting this particular unit, but also from expected future changes or ‘resource allocation games’. The following quotes from both case mergers, illustrate the weight that
the behaviour of the representatives of the acquiring company seems to carry.

“You cannot expect people that are cutting each other’s throat to be all of a sudden shaking hands and patting each other’s shoulders saying let’s do it together. Naturally that is a natural process that you need to accept that. That will happen. But if the management, top management, is not showing or not giving the example on how it should be done, then you create a problem. So, I think in our case and I think it is happening again now with NSD, Wärtsilä, with all the rights they have… They were the largest party, they bought 60% of our shares… But they acted that way, and I’m not talking that their top management, but let’s say the staff, very arrogant, we know everything better, you do what we say. Which I found out is pretty much, to a certain degree I think, a very Finnish approach to do business.” (Vincent)

“Many times it was ‘well, you know, we know how to do it so come over to Vasa, look at what we are doing and then you will be fine’. It’s… it’s… in that way, you are putting the other party a little bit too much in the defensive. You are almost blocking an open communication.” (Paul)

“Okay, we use the word merger, and it is as if we want to use a soft word rather than more tougher language saying ‘Hey I acquired you, now shut up!’ Because… what we say and what we do are two different things again. We say that it is a merger. In the merger you kind of imply that it is equality… Yes, there is equality on a personal basis but is not equality in the way of thinking and… still you want to… and I mean… that’s what we do. Rightfully or wrongfully, I think it is rightfully, but we try to put our mould in that organisation. With all the resistance to change, with all the normal things that I saw happening in Holland…” (Willem)

The acquiring company representatives had evidently been experienced as arrogant and displaying superiority to a degree that
seems to have caused frustration in both case mergers. Naturally, there were exceptions to this perception as well as exceptions in the form of individuals who were perceived as co-operative, friendly and generally respectful. However, these expectations of behaviour that had been influenced by the merger terminology and the gap compared with how people experienced the ‘actual’ behaviour that was displayed seemed to have caused frustration and even stronger emotions. Thus it seems to have been counteractive to post-merger integration because of a decrease in commitment towards the respective merger.

Nevertheless, the ‘conquering army syndrome’ seemed to evoke worry at top management levels within Wärtsilä, at least in the merger between Wärtsilä Diesel and New Sulzer Diesel.

“Of course one can… Physically it is a takeover, yes, but when it internally, it has to… If it is not implemented as a merger process, then, like… the success will not necessarily be as good. If the people can perceive it as a merger, that we have tried to emphasise, but… yes, yes, on the other hand, if one looks in the financial sense then it was nothing else but a clear takeover. But I don’t want to emphasise that under any circumstances, but I want people to come along and… it to be dealt with like in a merger style, this thing, then like the overall outcome can be more positive. I think it is dangerous to start and brag about a takeover… the thing is… with one’s mentality… That is one of the things that I have to watch out for, that should not be emphasised in any way, that.” (Transl., Mikko)

“The problems come… are here already and one sees that, it is like that… that because of the financial strength of… of… of Wärtsilä in any case is so much bigger than what it is in NSD, then it means that we talk about a merger, then there come, realistically seen, a whole lot of acquisitive aspects into the picture. So within Wärtsilä… within the old Wärtsilä Diesel it is seen in wide circles within the organisation as an acquisition, which…
which… and that one has bought a Swiss company that one will dominate now.”
Q: “How do you think it is experienced in Switzerland?”
A: “I believe that it is experienced just precisely like that and I believe that… that… it has… people have expressed themselves in that manner, eh… a little… a little undiplomatically, should I say. Or very undiplomatically. One… there is then… one cannot ignore that one here, too, precisely as we had in… in the example with Stork, we are dealing with two competitors here and… and… and it certainly is the way that people are… are… are often pretty… pretty tough and one… one… I think that one has seen now here that ‘oh well, now we have… now we have succeeded in buying in citation marks a competitor. And now it is us who… us who steers and controls and.’ And, like… I think that I am a little worried about this. I am a little…”
Q: “Also now with Sulzer?”
A: “Yes. I am a little worried.”
Q: “Because of this undiplomatic…”
A: “I am worried because of… of this that… that it comes… that, like, that this… that one goes like about it a little too abruptly.”
(Transl., Björn)

From the acquirer’s side, the gap between the expected ‘merger behaviour’ and the experiences of the actual behaviour displayed by acquired company representatives seems to have caused bewilderment and frustration. This seemed to be the case particularly in the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, where the behaviour of the ‘original management’ of Stork-Werkspoor Diesel evidently did not correspond to what had been expected in terms of co-operation and willingness to integrate. Also in the case of New Sulzer Diesel, the general expectation within the former Wärtsilä Diesel organisation seemed to have been that the New Sulzer Diesel organisation should adapt to the ‘way of working’ of Wärtsilä and thus enable smooth integration. Consequently, integration as a concept seems
to have been the subject of expectations as well, and its features in terms of expectations are examined in the following section.

**INTEGRATION AND ‘INTEGRATION NEED’**

“But we still continue to speak about ‘they’ and ‘us’, so it’s not ‘we’, not yet.” (Claude)

This account of a ‘us them’ division of the merger between Wärtsilä Diesel and New Sulzer Diesel, dating from January 1998, points toward an expectation of becoming one integrated organisation in the future, and an experience of the organisation not being fully integrated yet. Evidently originating in the terminology issue, the idea of integration, i.e. what it was thought to be and mean, seemed to vary parallel to the interpretation of the merger as a merger, acquisition or takeover. Due to the differing expectations of the merger in terms of what kind of change would (or should) follow and what the impact of that change would (or should) be, the perception of the necessary degree of integration evidently varied. It seemed that the need for integration was perceived in a varying and incoherent manner among members of the different units involved in the two case mergers. Consequently, integration as a phenomenon was given different characteristics. This in turn seemed to influence the expectations of the organisational change that was taking place. An example of this phenomenon would be that representatives of one merger ‘party’ could share the opinion that integration had taken place to a satisfactory degree at a certain point in time, whereas another ‘party’ could view the same situation as not exhibiting any integration worth mentioning. This would only be possible if the two ‘parties’ had a different view of the merger and the degree of integration needed to accomplish its synergistic objectives. For some unit within a merged organisation integration might mean that the same name,
logotype and accounting system are used throughout the group. For another unit, integration could mean much more than a joint name, extending into areas of adapting procedures and systems on a broader scale. Thus the stage could be set for misunderstandings and clashes of expectations regarding integration.

“We… None of us can understand that… I mean… they talk about how they wanted to bring us in… to integrate us, but I can’t really see that argument when there’s… […] names several offices in the same country] There’s not really any integration between these offices as far as I can see. They all tend to work independently from each other – and in certain areas they competet with each other. […] Ah, the spare parts sales administration. Which we could do from anywhere. It doesn’t matter where we do it from, because for the… former Sulzer parts we hold no stock here. It all comes from Switzerland and Rüdekirk. So, it doesn’t really matter where the office is, so… and we don’t really work directly with anybody in this office – apart from [NN], obviously, being the chief but…” (Jeff)

“Our company, of course it’s no longer a Product Company, we were a Product Company, now we are becoming a Network Company, but anyway, we are really merged in the matrix, yes. In the organisation it is really a merger, but when I say takeover…” (Claude)

There seems to be a positional feature to the difference in ‘integration completion’. Depending on the individual’s position in terms of organisational level, the perception of the ‘integration stage’ of the company could vary. Integration could seem as much more ‘completed’ from the point of view of a top manager than what it looks and feels like for somebody on a lower level in a corporation and with comparative distance from a top manager’s view. Everyday working life on lower levels could not necessarily correspond to what was expected to happen at the beginning of the merger, and this would seem to get accentuated for members
of an organisation that are on the ‘receiving’ end, as they have not been part of merger-related decision making. Thus, they have not been in a position to participate in the moulding of the merger landscape and would have to build their expectations of the merger and its post-merger integration on their own previous experiences, their knowledge, rumours and what they experience as post-merger integration unfolds.

In the merger between Wärtsilä Diesel and New Sulzer Diesel, for example, the clash of the expected degree of integration on the ‘two sides’ seemed to have become more accentuated within the network. This can be ascribed to the actual physical integration that was implemented in some of the Network Companies. The need for physical integration, for example, was apparently not understood by all representatives of the former New Sulzer Diesel organisation. On the former Wärtsilä Diesel side it seemed not to be understood why the need for integration should be discussed or explained at all, because it seemed to be taken for granted that the former New Sulzer Diesel organisation would be joined together with the Wärtsilä organisation. This evidently included physical integration with Wärtsilä members in countries where both companies were present.

The whole issue of integration seemed to be coloured by a different understanding not only of what a merger is, but also by a different interpretation of the reasons for the merger. Generally, the merger seems to have been explained by Wärtsilä’s desire to acquire the 2-stroke business, which it did not have from before. The deviating view on the business, however, created a different understanding of the necessary degree of integration. On the former Wärtsilä Diesel side, the situation was perceived as needing a much higher degree of integration, as the 2-stroke business was thought to be manageable similar to the 4-stroke business. On the former New Sulzer Diesel side, again, it seemed to have been clear to people from the beginning of the merger that this business was different from the 4-stroke business and therefore would have
to remain separate. The perceived necessary degree of integration thus remained comparatively lower. As Shrivastava (1986) points out;

Diverse motives complicate postmerger integration because each motive requires a different extent of integration.
(Shrivastava, 1986, p. 66)

In the case of Wärtsilä Diesel and New Sulzer Diesel, the merger motives were not generally diverse as such, but seemed to be interpreted differently by the merging parties. In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel the merging parties seemed to have had disparate understandings of why the merger was implemented in the first place. The problem areas of the ‘merger terminology’ and the ‘original management’ as well as the set up of the merger through the ‘joint venture agreement’ exemplify this point. On the acquirer’s side the merger seemed to have been understood as an acquisition with the synergy of the deal lying in the areas of additional markets, know how and production facilities as well as the elimination of a former competitor. These were evidently interpreted as needing a higher degree of integration than was anticipated by the acquired party. They in turn evidently saw the merger motives of the acquirer more as an investment, with the independence of the acquired company as a requirement to support those motives.

This kind of an ‘integration expectation’ could be emphasised by ‘integration symbols’, such as name changes. If the name change of an acquired unit is only comparatively small, as in the case of the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel (changed into Stork Wärtsilä Diesel), the change is perhaps not perceived as so fundamental as it would be expected to be in the case of a ‘fully fledged’ integration. The name change of this unit into Wärtsilä NSD Nederland in conjunction with the merger between Wärtsilä Diesel and New Sulzer Diesel would seem to be more potent in terms of communicating a higher degree of inte-
gration. Naturally there were reasons for the implementation of the name changes in the case mergers just as they were, and it is not the intention here to criticise them in any way. The point here is merely that this aspect of a merger – the change of the name of a company – could also have an influence on what people expect of the changes to come due to a merger.

‘Merger marketing’, the terminology employed in a merger, ‘merger behaviour’, integration, name changes and such are influenced by and in a way dependent on management. In addition, management seemed to be an area of the case mergers that evoked expectations. Therefore, aspects of ‘merger management’ are examined below.

**MERGER MANAGEMENT**

The poor overall record of acquisition activity would suggest that many acquirer firms are better at acquiring than managing their acquisitions.
(Payne, 1987, p. 25)

The expectations of management in the case mergers and their respective post-merger integration processes seem to have been ‘generous’. In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, the evident astonishment about the existence of the problem areas exemplifies this. People did seem to have difficulties understanding why the merger had been called a merger, why the problem with the ‘original management’ had been ‘allowed’ to emerge, why the internal competition did not witness managerial intervention from the beginning and why the merger had ‘cost’ so much time by and large.

In the merger between Wärtsilä Diesel and New Sulzer Diesel, the aspects of management that seemed to have caused bewilderment and frustration were not so much that the merger was called a merger, but the gap in expected and perceived behav-
iour on the two sides of the merger. This was evidently seen in part as a management defect, as both merging sides seemed to view it as the responsibility of management to see to the behaviour of their respective organisational members. Likewise, that the 2-stroke diesel business was not understood as being fundamentally different from the 4-stroke business seemed to be perceived as a lack of managerial communication by representatives from the former New Sulzer Diesel organisation. At GMT, again, astonishment seemed to be noteworthy because of the perceived lack of integrative action all together. This lack was perceived after the merger, because more ‘action’ had evidently been expected. Additionally, the lack of more extensive job rotation seemed to have caused worry in many parts of the group.

“… they should have taught us how to use the Wärtsilä systems, so, if we had an inquiry or an order that had to come out of Finland, we’d know exactly what to do. At the moment, you know… we might be able to… wing our way through it with a bit of luck but… you know… we wouldn’t be confident at all. Now, I’d thought that would be the first thing you did… have… make people who do the same job, compatible with each other, which I think they’ve done with the service engineers to a certain degree. But not in… let’s call it… office procedures.” (Jeff)

In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, what was expected of the management of the merger seemed to have influenced the merger and post-merger integration as well. The companies had a competitor relation prior to the merger. The continuation of internal competition for many years after the merger without intervention evidently caused a lot of surprise and frustration on ‘both sides’ of the merger, because it seemed to be highly unexpected, i.e. it did not seem to correspond to people’s expectations of what should happen in a merger and how a merger should be handled. Two other features of this merger seemed to strengthen this discrepancy between the expec-
ations of the merger and the perception and interpretation of the occurrences later on. For one, the actions and attitude that seemed to be displayed by the original management of the company, who seemed to say quite clearly that the company would carry on as it had and that it had merely gained a new investor, seemed to contradict expectations to some degree. Also, it seemed to alter expectations into the direction of diminished integration of the unit in the Wärtsilä group. Secondly, the non-action of the ‘Finnish side’ in terms of not waltzing into the company right away and taking command, so to speak, but letting time pass, even letting internal competition go on for quite some time seemed to conform to the expected degree of integration. Thus these features seemed to strengthen the expectation within the Dutch unit that they would not need to integrate very extensively. Within the Finnish unit, the internal competition, the perceived lack of a merger plan and the perceived loss of time regarding integration evidently did not conform to the expectations that people had of the merger either. In this unit, a higher degree of post-merger integration was apparently expected, and the actual implementation of the merger in terms of its post-merger integration did not seem to follow this expectation.

Two distinct aspects of expectations in conjunction with merger management shall be examined; top management and communication. Certainly, there are more, but these stuck out as most critical in the two case mergers. First of all, the finger seemed to be pointed in the direction of top management of the corporation, i.e. the whole group, when management of the mergers and their post-merger integration was concerned. Secondly, communication was the other area that seemed to cause substantial frustration in many parts of the group. These areas of management and their connection to merger-related expectations are examined in more detail below.
“I think that you have to make a merger or an acquisition like this… You have given… you have… you really have as much time as you want, before you do it. I mean, you can, instead of announcing it today… you announce it three months later if you need more time. And when you announce it, you should not do what we are doing now. You should not start to think about whether to put the licensing and marine together… That you should do beforehand. And you should not start to think that should we lay off 80 people in Switzerland; that you should do before. And then you should… then you should make a merger and then you should say that within a much shorter… the shorter the time the better.” (Transl., Bertil)

The above quote from an interview on the merger between Wärtsilä Diesel and New Sulzer Diesel dating from November 1998 indicates that how the merger was managed from its start, including decisions on its announcement, was not perceived as having been ideal. What seems to be expected of the top management of an organisation is that it will provide the rest of the organisation with the best possible working conditions and it is also trusted for providing this. (see e.g. Staw et al., 1981, Vaara, 1995) In both case mergers, employees generally seemed to expect that integrative measures should be decided upon and implemented by top management. Also, the direction of the new corporation and the role of the individual units within the corporation were evidently expected to be provided by top management. In that sense it could be said that top managers were expected to be the ‘servants’ of the rest of the company.

“That’s… one of the things… that’s one of the things… and we did a number of right things, I mean we had the EMERGE program now… which is the… I believe is very important in the whole thing. We give all kind of… I mean this… whole thing in… Italy couple of weeks ago was very much… very specifically
geared to get... those people on board, to tell them, apparently, about how do we work in the DPP world. What do we do... And... So, that's another of those things where I say yeah, we have learnt a lesson, you have to... You cannot expect that this people are just curious and come and ask for it. They are scared! So, you have to go there, you have to reach out. Call it an acquisition and then reach out, rather than call it a merger and don’t do anything. And I think that’s really... that’s really the mistake that was made in Holland, like... We call it a merger and everything automatically will come all right. That’s not true and... I think that it’s much better to say...call it an acquisition and then reach out and say ‘okay guys, now that that is the fact... now you have to get mentally... accepting that fact... now we come out and now we’ll help you to become also successful in this new... in this new situation’. I think that’s much better.” (Willem)

Why did top management seem to be criticised poor of management in the two case mergers? This would seem to be explained by aspects of human nature and organising. Finding a scapegoat for things that are experienced as having gone wrong or being bad seems to be a human trait. As Gustafsson (1994) points out, generally things have to be explainable to us humans, which is why we apparently occupy ourselves with the basic intellectual characteristic of ‘intentionalising’, i.e. continuously guessing at other people’s intentions. Our actions thus become defined by intentions, our own and the ones ascribed to others. One of the characteristic tendencies of ‘intentionalising’ seems to be ‘scapegoating’. This makes the world ‘explainable’ once again. (idem)

There seem to be other sources for what seems to be expected of top management in a merger, however. One of them seems to lie in the role occupied by top management and the demands that determine this role. A role can be argued to determine behaviour and thus generate expectations; what is expected of a doctor varies from what is expected of a nurse. (Olofsson & Sjöström, 1993) What is expected of a top manager is therefore evidently different from what is expected of a service engineer
because of the role ascribed to her or him, and this naturally goes for a whole top management team as well.

...managers can be seen as playing different types of roles in the midst of the ongoing change processes, rather than playwrights. Characteristic of their actions may often be an illusion of control resulting from their inability to fully understand the roles they and others are playing and to fully comprehend the effects of their actions in a wider context. (Vaara, 1999, p. 64)

Another reason for a lack of management in conjunction with a merger could be that it can seem unclear, even at a top management level, whose responsibility integration is. (cf. Ashkenas et al., 1998) Additionally, time could be perceived as scarce for the management of a merger or even for clarifying responsibilities. Due to a different emotional and intellectual attachment to a merger, top management’s view and expectations of a merger can also differ from that of other members of an organisation. This could also make it more difficult for top management to recognize what people expect of it. Moreover, as Vaara (1999) points out, a top management team could be internally divided on specific topics. Discord could prevail regarding an integrative aspect of a merger, for example. Also, the need to make tough decisions, argued to be a top management necessity in conjunction with mergers, (Vaara, 1999) could create an impediment to taking decisive and visible action. Additionally, as Harari (1998b) points out, to many managers it could be more attractive to make the merger deal than to be concerned with implementing it.

A fundamental assumption of strategies of growth through mergers is that once the merger is completed, its benefits will follow automatically. (Shrivastava, 1986)
In neither case merger in this study was a ‘merger manager’ or management team working solely on post-merger integration appointed. This could partially explain interviewees’ perceptions of the insufficiency of post-merger integration management. The top management of the corporation was evidently not coherent in its views of the management of the 2-stroke business from the start of the merger and in the post-merger integration process. This became evident from the different decisions of first keeping the licensee business as a separate business area, only to incorporate it into the marine business area later. Views on whether or not this was wise differed at the time of the interviews for this study. This circumstance did not seem to indicate reliability and effectiveness as characteristics of the top management team to the rest of the organisation in terms of merger and post-merger integration management.

Regardless of the reasons behind what was perceived as poor management, the expectations of top management in terms of merger and post-merger integration management seem to prevail. Mergers and post-merger integration do not seem to be an easy setting to fulfil the demands of good leadership, as the skills of a leader are put to a test in times of crisis. In ‘easy going’ times even more mediocre leaders believe in their skills. (Huttunen, 1999) Thus, merger and post-merger integration management should evidently not be taken lightly.

Integration management is a full time job and needs to be recognized as a distinct business function, just like operations, marketing, or finance. (Ashkenas et al., 1998, p. 169)

One of the evidently vital elements of merger management is communication. Keeping all organisational members up to date on all developments in a change process, for example, is argued to be a superior means to conserve the credibility of top management and diminish resistance to change. (Giallourakis and Suominen, 1990, Giallourakis and Porterfield, 1990) Therefore, we shall
commence to examine this aspect of merger management and its relation to expectations in the next section.

COMMUNICATION

Communicate, communicate and then communicate some more. (Ashkenas et al., 1998, p. 176)

In the case mergers examined in this study, communication seemed to have influenced the respective mergers and their post-merger integration to some extent. In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, communication by the ‘original management’ of Stork-Werkspoor Diesel seems to have influenced the perception of the merger within the acquired unit as a joint venture or even as Stork-Werkspoor Diesel having acquired Wärtsilä Diesel, for example. The behaviour of some representatives of Wärtsilä Diesel, again, seems to have been interpreted as arrogant and seemed to be contrary to the kind of behaviour that had been expected on the acquired company’s side. This behavioural dimension of communication seemed to have emerged in the merger between Wärtsilä Diesel and New Sulzer Diesel as well. In this merger, the overall communication process concerning the merger seems to have been satisfactory by and large before the official announcement of the merger in April 1997. After that, however, people seemed to feel that information about the merger and the integration process ceased.

“The third ‘merger news’ was perceived as negative, the last one, ‘now everything is clear’... how can top management say that now everything is talked about and everything is clear?” (Transl., Wolfgang ?)

The “merger news” was mentioned above in the description of the merger process (at the beginning of chapter VI). The
bewilderment displayed in the quote above and by other company representatives on other occasions seemed to originate from the ‘stamp’ across the third issue of the newsletter, which read ‘last issue’. This exclamation was evidently interpreted as communication by top management that the merger was completed and that it was ‘back to business as usual’. The strong reaction to this newsletter’s last issue seemed to imply that there was a continuous expectation and need for information about the development of integration, etc. Also, individual interpretations and expectations of the mergers seemed to have been promoted by an evident lack of a group wide ‘merger communication’, in which the merger objectives, the corporation’s overall direction and the role of the different units were communicated.

“You see this opening up when the GMT people are now coming to the Wärtsilä NSD environment and see what type of things are going on, you experience that they expect much more clearly stated policy, actions to do, things that are planned by the management, whereas they are from Wärtsilä NSD origin… is expected that the people have a communication on this and contribution to it. And I think that this is kind of gap that you don’t offer… 100% clearness and safety to the people expecting that they feel that in themselves… there is… that creates a lot of hesitation from those that don’t see this clear message. And I think that this is a big element of unrest that is created…” (Paul)

The lack of direction apparently experienced in many units within the group at the time of the study and the initial insecurity about what the consequences of the merger would be in some units seemed to exemplify this aspect. Undoubtedly, there always seems to be an insatiable demand for information and communication within an organisation, as the following quote from an interview on the merger between Wärtsilä Diesel and New Sulzer Diesel portrays.
“Well, one will never get to the point where everybody is satisfied with the communication, but one should give… one should get the relevant communication to function well.” (Transl., Mikko)

The need for information and communication probably stems from the human need to satisfy curiosity as well as attain (more) security, for example, the security of assessing a situation and its consequences for oneself as correctly as possible. According to Kleppestø (1991) individuals as well as ‘collectives’ have a need to confirm their self-view and their view of the world. This is done in a continuous communicational exchange with the environment. Severe changes such as a merger are strenuous for this on-going communication process, because in a change, uncertainty, vulnerability and a loss of norms occur. (idem) This in turn could lie behind an increased demand for communication. ‘Communication shortages’ somewhere along a merger process seem to be common findings within merger research, however. (Buono and Bowditch, 1989) Why would communication, then, be so important in a merger and its post-merger integration? Clearly, the complex and disruptive nature of a merger would demand increased communication, as two organisations would have to ‘get to know’ each other and start working together.

There is, however, also another aspect to communication, tightly interlinked with expectations. The expectations of a merger evidently set in right from its start and shape the interpretation of the occurrences thereafter, as the discussion above of ‘merger marketing’, merger terminology, ‘merger behaviour’, integration and management has shown. Expectations also seem to shape any information (input, stimulus) a person ‘receives’ from her or his outside world. Actually, Bruner (1986, in Weick, 1995) argues that an input is made up of an environmental stimulus and of the ‘accompanying markings’ depending on how it corresponds with the expectations of the receptor. The role of an expectation is thus being a filter, i.e. filtering environmental stimuli (Weick, 1995),
such as information, behaviour and other forms of communication.

Prophecies, hypotheses, anticipations – whatever one chooses to call them – are starting points. They are minimal structures around which input can form as the result of some kind of active prodding. That prodding is often belief driven, and the beliefs that drive it are often expectations. People do not have much to start with when their goal is to “get to know” some other person, or setting, or job. This means that their expectations cannot help but be a force that shapes the world they try to size up. They see things of their own making.

(Weick, 1995, p. 148)

The expectation as a filter for environmental stimuli highlights not only the role of the expectation in mergers and post-merger integration, but also the role of communication. Are people very insecure and faced with threat, as after a merger, every memo, contact, phone call, innocent question, and request can be and often is gleaned for clues and hidden meanings and magnified out of proportion. (Bradley and Korn, 1981) Thus, the information organisational members receive in conjunction with a merger seems to be compared to the expectations every individual has of the merger. Additionally, as Bernstein (1984) points out, non-communication, for example, can be interpreted as negative communication. Non communication is an environmental stimulus to a person expecting communication, such as merger related information in the case of a merger. From the outset of a merger, changes are generally expected, and thus information about these changes would be expected as well. Non communication will in this case also be compared in terms of coherence to the expectations that exist at that point in time.

“You read the worst into the unknown by and large.” (Willem)
“Mm.. mm… Because they’ve always called it a merger, haven’t they, from the beginning, but really, when somebody has got a much larger stake in the whole thing, it’s never a merger, is it? It’s a takeover in reality. And usually, when takeovers occur, the people taken over are dismantled, aren’t they? You know, just taken over to clear the field for you to… go into the marketplace replacing it…” (Jeff)

Another aspect of non communication is that management might not always have all the desired information available at the time employees expect it. In a merger, this could be the case especially for the management of an acquired unit. (Schweiger et al., 1987) This seems to have been the case in Mantes, for example, where decisions on lay offs where evidently made in the corporate headquarters and only after an initial announcement about refraining from any restructuring measures.

In the above sections, we have waded through different areas within mergers and post-merger integration that seem to evoke and influence merger-related expectations. It is now time to examine what kind of significance expectations have generally and in conjunctions with mergers and post-merger integration in particular.

EMERGENT THEORY ON EXPECTATIONS IN Mergers

People evidently desire or need to create order, meaning and context, especially in complex situations. (cf. Nynäs, 2001) Hellgren and Löwstedt (1997) point out, that it is easier for a person to act if s/he is secure about her or his surroundings and context and therefore s/he will (try to) reduce uncertainty and simplify the context. Uncertainty and irritation can be aroused even by minor everyday occurrences, and as Nynäs (2001), for
example, shows, can be reinforced by more intense experiences. Uncertainty is an individual experience, a subjective phenomenon and thus the experience of uncertainty can vary between individuals in terms of the experienced degree of uncertainty. Nevertheless, dealing with uncertainty evidently becomes an interactional and collective process in an organisational setting when, for example, the organisation and institutionalisation of trust are attempted. (Sjöstrand, 1997) The need for stability (the experience of stability in one’s life) is considered to be a fundamental cornerstone of social interaction and social construction (of one’s life). (cf. Berger and Luckmann, 1995) The expectation is formed through the need for stability, increasing the experienced certainty about the future. Adjustment to novel situations is considered to be facilitated by the accuracy of expectations, in which rationalisation and reanalysis serve to reduce uncertainty and a return to *status quo* or ‘equilibrium’. (Black et al., 1991)

Work in the socialization, surprise and sensemaking areas suggests that the accuracy of the expectations held by individuals is a key to effective anticipatory adjustment and actual adjustment. The more accurate expectations individuals can form, the more uncertainty they will reduce and the better their anticipatory adjustment will be. The better the anticipatory adjustment, the fewer surprises and negative affective reactions or less culture shock individuals will experience, the more appropriate behaviors and attitudes they will exhibit, and the smoother and quicker their adjustment will be. (Black et al., 1991, p. 305)

Expectations are assumed to filter environmental ‘stimuli’, i.e. events, information, communication etc. This they seem to do so more rigorously than, for example, arguments, because they are ‘more strongly held’ and more directive (dictating, direction giving, ruling) than arguments. When expectations are not met, an individual can and will follow one of two options; adjust the
expectation or adjust the event that disagreed with the expectation. Furthermore, when confronted with situations in which an individual finds her- or himself striving for the experience of stability (and a feeling of security), interactions with other people will be coloured by confirmation of beliefs and expectations. (Weick, 1995) Situations that foster the striving for stability could, for example, be the complex circumstances of a merger characterised by uncertainty and fear of the future, etc. Also inter cultural settings can be characterised by complexity and uncertainty. (cf. Nynäsv, 2001) The confirmation of expectations allows for the emergence of a ‘small pocket of stability’, specifically in these kinds of situations. The most compelling expectations are in turn activated when new ‘unstable’ situations occur, to guide the next series for ‘behavioural confirmation’. (Weick, 1995, cf. also Black et al., 1991)

A socially constructed world is a stable world, made stable by behaviorally confirmed expectations.
(Weick, 1995, p. 154)

In figure 6 below this process is portrayed in a simplified manner.

![Figure 6: The reaction to stimuli governed by expectations.](image-url)
When a stimulus (event) occurs, the experience is compared to the expectation about the event. In this process of comparison, the expectation serves as a filter. There are four alternative roads that an individual can take in her or his reaction to events. The simplest one seems to be a situation in which the event matches the expectation. It is then confirmed, more stability about the environment and the future is ‘experienced’. A ‘new’ expectation will, however, inevitably follow after the confirmation of the ‘old’ one, because any event will have possible consequences and the individual will try to strive for as much security about these ‘new possibilities’ as possible. The ‘old’ expectation becomes superfluous, as it is not up to date any more. However, when the event does not meet the expectation, another alternative reaction can take place. The event as such can be rejected completely. It would then simply be ignored, as far as this is possible.

In the event that an individual does not or cannot ignore a stimulus, one or the other of the remaining two alternatives can take place. One would be that the individual could adjust the expectation to suit the event. The event is accepted, and an expectation will again be formed that possibly better conforms to the event and its possible consequences. The experience of stability again increases. The other and last alternative is that the individual will adjust the event, i.e. alter it to suit her or his expectation. Through this process, too, more stability and certainty about the future are gained, as the event is experienced as having ‘come through’, i.e. the expectation of it was confirmed. (cf. Weick, idem)

Expectations evidently hold a filtering function to environmental stimuli (events) in the ‘adjustment and compliance process’ individuals engage in when striving for, i.e. trying to create, the experience of stability and security. Thus expectations evidently also influence the perception, interpretation of and reaction to merger related events. Therefore, they can influence the attitude and commitment toward a merger, depending on the
degree to which merger related events and communication agree with them.

The results of this study indicate that expectations play an intricate role in mergers, the organisational integration period following them and in the problems that arise during that time. One reason for this could be found in the fact that generally an organisational setting is expected to be characterised by stability and routine, i.e. complies with an idea of ‘relative stability’. (Sjöstrand, 1997) A merger can disturb this nest of ‘relative stability’, and the attainment of the feeling of stability could thus increase in importance.

The uncertainty and threat posed by a merger raise expectations regarding this event from its outset. The manner and content of ‘merger marketing’ and the communication on the synergy potential of the deal as well as the terminology used in merger-related communication evidently play a significant role in shaping what is expected of a merger. The behaviour displayed by management and colleagues evidently affect the expectations further. As time moves on into the post-merger integration process, the continuous adjustment of either events or expectations will be shaped by the perceived need for integration, communication, behaviour, the manner of post-merger integration management and the actual events and their compliance with the respective expectations. As all organisational members of merging companies are ‘subjected’ to these merger-related events in some way, they can become a ‘collective experience’. Even though they influence individual’s expectations, through the collective experience of the merger and the ‘interactional’ dimension or dealing with uncertainty, some expectations could become ‘shared’, i.e. similar between organisational members.

There could be other aspects to mergers and post-merger integration and their management that could influence the expectations of a merger and merger-related events. The above list contains the aspects that were found significant in this study.
Other factors that also evidently play a role in conjunction with an individual’s expectations and their ‘filtering function’ are the individual’s previous experiences relevant to the encountered situation or event and other knowledge the individual might hold. Also, the features of the personality of an individual could be considered to influence her or his expectations and their comparison with stimuli; this is, however, not the focus of this study. Rather, the role of expectations within the case mergers and their post-merger integration as influenced by merger-related events is of interest.

Figure 8 below illustrates the ‘filtering function’ of expectations and the dimensions explored in this study that influence expectations in a merger context.

Figure 8: The role of and influences on expectations in mergers and post-merger integration

It seems to be that the more discrepancy there is between the evolving expectations of a merger and its post-merger integration, the more frustration grows within individuals in the affected organisations. This evidently has a negative effect on the attitude
and commitment toward the merger and the ‘new’ organisation. The ‘distortion’ that is evidently part of both adjusting or rejecting a merger-related event could have a negative influence on post-merger integration and merger performance, as subsequent expectations could accord less with experiences, thus creating less experience of stability. Also, a merger could be perceived in an increasingly negative light. An evidently important aspect of expectations in conjunction with mergers is that as they tend to be confirmed rather than refuted; they can also block receiving. In a merger setting this could mean that something positive about a merger might not be perceived, if it does not conform to a negative expectation of the merger or the respective merger related aspect, or simply because it lies outside what is expected.

The value of discovering the connection between expectations and integrative problems on the human side of mergers and post-merger integration lies to a large degree in ‘awareness’, similar to the concept of ‘cultural awareness’ mentioned in chapter I in the section on the delimitations of this study. Thus, not only does the inclusion of expectations in the social setting of mergers and post-merger integration provide insights into how other people are governed and guided by their expectations, but also how they influence ourselves. The significance of expectations in the context of mergers consequently lies in how they seem to ‘govern’ us as well as the people around us. As with ‘culture’, the influence of expectations on our lives is subtle, evidently for the most part ‘sub conscious’ and could therefore be difficult to detect. Understanding their mechanism and role can therefore be valuable. An interesting aspect of expectations is not so much the fact that they exist, but rather why they exist. It is the ‘why’ that opens the door to learning and understanding. Thus the significant aspect of expectations in terms of merger and post-merger integration management is not the existence of the ‘correct’ expectations in an organisation. Rather, the awareness of the expectations at any given time could be valuable, so that reactions to events can be
understood and a ‘beneficial response’ can be given to reactions. Moreover, through understanding the mechanism of expectations as well as their nature in a given organisational setting, the negative consequences of ‘unfulfilled’ expectations or the ignoring of events could perhaps be avoided.

Awareness of expectations, however, is evidently not constricted to mergers and post-merger integration solely; it could also be beneficial in the world of research, for example.

The researcher uses at each stage [of data analysis] expectations, prior theories, hunches, experience, and a good education… (Richards and Richards, 1994, p. 449)

Expectations have emerged within another area of research in a way that needs to briefly be touched upon in this study, because it can be viewed as important to the ‘significance of expectations’. There has been a dispute on the role of expectations within the perception of service quality that has evidently been coloured to some extent by misunderstanding, as one of the responses to the dispute seemed to imply that expectations would be irrelevant. (see Cronin and Taylor, 1992 and 1994) This, however, did not seem to be the case after all;

First, Cronin and Taylor (1992) do not “conclude that it is unnecessary to measure customer expectations in service quality research” (p. 111). Rather, our results suggest that the performance-minus-expectations is an inappropriate basis for use in the measurement of service quality. The reported results in no way contradict the importance of the unique effect that expectations can have on consumers’ perceptions of service quality… (Cronin and Taylor, 1994, p. 125)
CONCLUSION

This is the concluding chapter of this study. First, a summary of this study will be provided, including a summary of the case mergers and the results. After that, this study’s scientific evaluation follows. Also, this study’s focus on ‘problem areas’ on the human side of mergers and post-merger integration is discussed in order to explain it. Then a few words follow on what this study, with the challenges it posed, has meant to me in terms of other than purely ‘scientific discovery’ related to organisation theory. Furthermore, implications for practitioners and for further research arising out of this study are explored.

SUMMARY

In this study, possible problem areas occurring on the human side of mergers and the post-merger integration process following mergers have been examined. Its purpose has been to uncover evident problem areas on the human side of mergers and post-merger integration, their possible causes as well as to examine the role of expectations in mergers and post-merger integration. The underlying theme or guidance of this study is the possible enhancement of post-merger integration, and thus a potential contribution to the success of mergers, all in the light of their human side.

PURPOSE, STRATEGY & THEORETICAL CONTEXT

The research problem of this study is the human side of mergers and post-merger integration. The research questions it set out to explore are the type of problem areas that can arise on the
human side of mergers and post-merger integration and their possible causes as well as the role of and influences on expectations in mergers and post-merger integration. The purpose of this study underwent an evolution from the general discovery of problematic aspects of the human side of mergers to a more particular interest in expectations and their role in mergers and post-merger integration. This evolutionary dimension is interlinked with the overall nature of this study; descriptive and explorative. In addition to being descriptive and explorative, this study is also pragmatic by nature. Hence, the purpose of this study was coloured by the quest for contributing to the understanding of mergers and post-merger integration through discovering a part of their dynamics.

The research strategy chosen for this study was the case study. One case company and two of its mergers provided the empirical data in this study. The main instrument for data collection was the semi structured interview. Nevertheless, other textual and observational data have been used as well. The description of the case mergers and their evident problem areas form the basis of this study.

This study belongs to the qualitative school of research and should be placed into the relativistic, ‘constructionistic’ and interpretive genre of research. This means that in this study, a research paradigm is employed, which is rooted in viewing the world (of the human being) as socially constructed. Furthermore, reality is seen as ‘individual’; every human being has her or his own reality, which is socially constructed and re constructed in an on going process. ‘Objective reality’ or the existence of one single and universal ‘truth’ thus becomes of lesser importance and interest as a concept within the social sciences. Rather, the creation of the ‘multiple realities’ intermingled in social organising is at the base of understanding. Understanding through description and exploration becomes the main vehicle of research in this paradigmatic context, as every individual reality is seen as a manifestation of that part of reality. Additionally, the interconnectedness of all individ-
ual realities escort us to a holistic world view, in which parts of an entity make up the ‘whole’. Understanding a social entity becomes possible by understanding its parts and the relations between these parts.

The contextual setting of this study is limited to organisations of the profit generating kind. The term merger is used in the meaning of being a specific form of acquisition in this study. The pragmatic nature of this study brings with it a focus on ‘enhancement’. Therefore, ‘merger success’, or ‘merger performance’ is of interest as something ‘worth striving for’. ‘Merger success’ is viewed as a subjective, individual experience dependent on the respective perspective of the ‘definer’. The type of merger that has been of interest in this study is characterised by a high degree of integration or ‘post-merger integration’, which in turn is limited to meaning the phase after a merger deal has been signed and officially announced. In this phase, as mergers characterised by a high degree of integration are the focus of attention, the merging companies are supposed to be integrated, i.e. start to work together as one company. Furthermore, the examination of merger-related problem areas in this study has been limited to the ‘human side’ of mergers and post-merger integration. This limitation focuses this study on the behavioural, cultural and psychological aspects of organisational life. The expectation that is of interest in this study is, again, the kind that we humans have in terms of anticipations of the future. The concept of expectation relevant to this study, again, is the expectation as an anticipation of a future event or occurrence.

Even though the main source of data in this study is individual accounts of perceptions and experiences related to the case mergers, the interest of this study lies in the ‘collective’.

The ‘collective’ is considered to be characterised by ‘sharedness’, created through the social interaction of individuals. The pragmatic approach taken in this study again explains the limitation of this study to a ‘management’ or ‘top management perspec-
tive’. Understanding a part of the dynamics of mergers and post-merger integration is viewed as creating the possibility of enhanced ‘organisational well-being’ in conjunction with mergers, post-merger integration and perhaps even in general. Mergers, post-merger integration and the problematic aspects of these have, however, not been chosen to be examined in terms of culture. This does not mean that culture could not and would not play a part in the cases described and analysed. Culture has nevertheless not been chosen as a way to examine the subject of study. This is due to the employed perception of the concept of culture as all encompassing and diffuse. Also, the rigidity with which it seems to in part be conceptualised within research and practice has not made it an attractive point of departure for analysis. In addition to the demarcations of this study mentioned above, it is further limited to the examination of previous research related to its research focus and to the two case mergers.

POSITION IN MERGER RESEARCH

Within the field of research into mergers, this study should be placed in the organisational behaviour school, distinguishing it from financial and strategical lines of research. The justification of the behavioural school within merger-related research can be found in the evidently significant influence of post-merger integration on the overall performance of a merger. Post-merger integration and its success, in turn, seem to depend on the successful integration of the merging organisations and the merging of their human side in particular. This has given rise to extensive research into the human side of mergers and post-merger integration, which has been divided into different schools or lines of research as well. Distinguishing this study from the crisis and cultural compatibility focused tradition within merger-related research, it could be placed in the human resource tradition, as
it focuses on the ‘human’ difficulties of mergers and post-merger integration.

Previous research into the human side of mergers and post-merger integration has focused primarily on the effects of a merger on the organisation and the individuals within organisations. The merger has been determined as a traumatic event in organisational life, causing a wide variety of more or less negative reactions in individuals and thus bringing with it some negative consequences for an organisation. Among the reasons for the negative impact a merger can have on an organisation, the destabilisation of status quo, ‘cultural clashes’, identity loss, insecurity regarding the future, fear and anxiety can evidently be found. These and other reasons can then in turn lead to resistance to the impending change and other human reactions arguably not very beneficial for integration and thus neither to merger performance.

Within previous research into mergers, the concept of expectations can be found within the context of two broad meanings. For one, there is the business expectation justifying the merger to begin with; the merger is expected to be beneficial for the merging companies’ business(es). Secondly, there seems to be fragmented mention of the individual’s expectations in terms of future occurrences and the like. Additionally, expectations are also mentioned in an explanatory and ‘recommendational’ context. However, expectations and their role in mergers and post-merger integration do not seem to have been the focus of merger-related research so far. Thus, an initial structuring and systematisation of this concept and its role in mergers seems to be absent from merger-related research. It is the purpose of this study to contribute to this apparent deficit.
THE CASE

In order to comply with its purpose, the next step in this study was the description and examination of the case mergers. The case company of this study is Wärtsilä, a Finnish based globally operating engineering group in the diesel engine business. One of its strategies of internationalisation and growth has been growth through acquisitions. The case mergers explored in this study are not the only mergers the company has executed, but were nevertheless among the most significant, both in terms of size and impact.

The diesel business of Wärtsilä has its roots in the shipbuilding industry; large diesel engines originally used for ship propulsion and later on also for power generation in power plants are its business. Due to technological developments and innovative business concepts, the company grew substantially from the 1970’s onward to the late 1990’s. At the time of the two case mergers, it was organised according to a business area matrix with the business areas Marine, Power Plant, Service, Technology and Manufacturing. Additionally, it had Product Companies, i.e. production, in Finland, Sweden, Norway and France, and was beginning to establish assembly plants in other parts of the world. It built up its global presence by establishing Network Companies, its own subsidiaries, all around the world. The corporation’s headquarters were in Strasbourg at the time of the first case merger, and were moved to Zurich after the second case merger. In 1999 they were moved to Helsinki.
THE FIRST CASE MERGER

The first case merger studied was implemented in 1989, when the company, then still called Wärtsilä Diesel, bought the Dutch engine manufacturer Stork-Werkspoor Diesel. This merger was studied retrospectively; data collection took place in 1997. Prior to the merger, the two companies had been direct competitors. Among the problematic aspects discovered during the data collection and analysis phases on the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, there were several aspects that seemed to have been unfavourable to post-merger integration. These were the prevailing internal competition, the diffusion and bewilderment surrounding the terminology employed in the merger, the initial problems related to the ‘original management’ of Stork-Werkspoor Diesel and the perception of integration having been too slow and time having been lost in the process.

The internal competition seemed to linger on for some five years after the merger had been executed. Sales representatives of the merged companies were providing customers with offers on their respective solutions, thus continuing to compete as they had before merger. The internal competition was in no way beneficial for post-merger integration, as the ‘two sides’ continued to see each other as ‘enemies’. The heritage of having been direct competitors seemed to be one of the causes of this situation. Additionally, the organisational structure at the time seemed to foster its continuation, because the manufacturing units of the corporation called Product Companies had their own products (different engine types). The sales organisation was Product Company specific to a large extent as well. This organisational feature as a cause for the continuation of the internal competition is brought to light by the fact that one of the integration enhancing milestones of this merger seemed to be the integration of the sales organisation.
some 5 years after the merger. The emergence of this milestone, in turn, brings to light another cause of this problem area frequently seen as frustrating by interviewees: the perceived lack of managerial action. The situation was perceived as having been allowed to continue, because there were no evident managerial decisions and their implementations taken prior to the integration of the sales organisation. I would like to point out that this was the interpretation of the situation by interviewees almost nine years after the merger. Another evident cause of the internal competition could have been the contractual set up of the merger, allowing Stork-Werkspoor Diesel to be perceived as a continuously independent company within the Wärtsilä group. Also, the business mentality of a few key individuals could have encouraged the internal competition to linger on as long as it did.

The second problem area of this case merger was what came to be called ‘merger terminology’ in this study. During data collection and analysis, it became more and more evident that interviewees were struggling with the fact that this merger had been called a merger. How they perceived the merger did apparently not conform to what they thought a merger to be. On the acquirer’s side, this merger seemed to have been regarded as being an acquisition or a takeover. On the acquired company’s side, it seemed to have been initially unclear to some extent which company had bought which. Additionally, they had evidently seen the merger more as a joint venture. Due to the different perception of the organisational change as it was and what it should be, the content and form of the change as they were understood and pictured seemed to vary as well. For post-merger integration this meant that the need for integration was perceived differently, i.e. a higher or lower degree of integration was thought to be necessary. Additionally, as the behaviour of the ‘other party’ did not accord with the respective views of the merger and its ‘what, how and why’, frustration as well as resistance (in the form of clinging to one’s views and attitudes) seemed to grow. The reasons for this incoherence
and confusion were evidently several. For one, there seemed to be confusion on what these different terms actually stand for, which underlined the bewilderment at why the merger had been called a merger to begin with. For members of the acquired company, the merger seemed to have been easier to accept and promote as a joint venture. Additionally, the contractual details of the merger again seemed to support the use of this term for the merger, because the agreement representing the deal was called the ‘joint venture agreement’. Also, the existence of a minority shareholder, which was Stork-Werkspoor Diesel’s former parent company, seemed to sustain the perception of the merger as a joint venture. For members of the acquiring company, in turn, the merger seemed to have been viewed more as an acquisition or takeover, because they perceived the situation more in terms of Wärtsilä Diesel having saved Stork-Werkspoor Diesel from bankruptcy. This made Wärtsilä Diesel the ‘strong’ party in this merger, and the one which had ‘put the money on the table’.

Apparently the merger adverse attitude and behaviour of the ‘original management’ of Stork-Werkspoor Diesel seemed to be counter active to post-merger integration during the first years of the merger. This seemed to be the third problematic aspect of this merger of significance in terms of post-merger integration. The former managing director of Stork-Werkspoor Diesel, who was in charge of the company for one and a half years after the company before retiring, apparently had welcomed the deal but was evidently extremely reluctant to give up the independence of the company after the merger. The negative effect a key person such as a managing director can have on post-merger integration through her or his behaviour and communication in general is intensified through the visibility and authority of the individual’s position and role. The reasons for this problematic set up during the first years of the merger seem to have been the autocratic and hierarchical style of leadership prevailing within the company at the time of the merger. Also, there seems to have been a heritage of
independence, possibly stemming from former days with a parent company evidently not having the diesel business of its subsidiary as its main line of business. Thus, strong identification with the company as an independent organisation could have been fostered. This independence was, unsurprisingly, difficult to surrender. Again, the contractual details of the merger could have played a role in promoting a justified support of independence.

Last but not least, it seems to have been a general perception of the post-merger integration process of this study’s first case merger that time had been lost at the beginning of the merger process. The amount of time that was experienced as having been lost varied between a few to five or six years of the post-merger integration process, during which not enough or no integration to speak of had occurred. The loss of time seemed generally to be ascribed to a management deficiency, i.e. a perceived laissez faire approach and way of behaving by the management of the company after the merger. The reasons for this perception lie in the above mentioned problem areas of the merger; the internal competition was seen as having lingered on for too long, it was not understood how the general confusion over the nature and extent of the merger had not been abolished, and the change within the management of the acquired company was perceived as having come too late. The post-merger integration process seemed to have stagnated because of a lack of integrative measures early on. Additionally, this management deficiency seemed to have caused frustration and can have been costly to the company in terms of commitment to the merger. According to interviewees, the reasons for the scarcity of managerial decisions and actions was the lack of a underlying post-merger integration plan. Naturally, it can have had other reasons as well, such as the overall flourishing times the company was in at the time of the merger and right up to the late 1990’s, or disagreement in the top management team. These reasons are, however, more speculative in nature and data are insufficient to support
these hypotheses. Nevertheless, the perception of interviewees on this matter prevails.

The results of the examination of the first case merger in this study invited further pondering on the causes of problem areas and their emergence. Investigations into the areas of ‘acquisition terminology’, emotions, identity, and corporate reputation and their role in mergers and post-merger integration were conducted. However, none of these areas seemed able to explain one common undertone emerging as analysis commenced; the astonishment, bewilderment and frustration encountered in interview data in conjunction with the description of the merger and its problem areas. To be true to the chronological order of this study, it is, however, now time to summarise the second case merger.

THE SECOND CASE MERGER

The second merger studied was officially announced in 1997. Data on this merger were collected during 1997 and 1998. Wärtsilä Diesel bought the Swiss company New Sulzer Diesel and the Italian company Diesel Ricerche. Additionally, it obtained a minority share in the Italian company Grandi Motori at the time; today, it is the sole owner of Grandi Motori. To some extent, this was the merger of former competitors, but evidently the most significant reason for Wärtsilä Diesel to execute this merger was the addition of a new business to its existing product line. This was the ownership of very large diesel engine technology used in ship propulsion, ‘low-speed’ or ‘2-stroke engines’, which Wärtsilä Diesel had not been engaged in prior to the merger. Until this merger, it had been in the market for ‘medium-speed’, i.e. ‘4-stroke’ diesel engines. This merger was and to this day is the largest merger Wärtsilä has been involved in.
The anatomy of this merger was far more complicated than in prior mergers of the case company. This was partly due to the large number of different units in different countries in Europe that came to be members of or associated with Wärtsilä. The merger brought production facilities in France and Italy and the headquarters and the ‘technology centre’ of New Sulzer Diesel in Switzerland with it. Additionally, this merger had a much larger impact on the global network of Wärtsilä than any merger had hitherto. New Sulzer Diesel had established a global presence through its own subsidiaries as well as agents in many countries around the world, and these needed to be included in the merger.

The most severe problem areas of this merger seemed to be the difference in ‘business practice’ and the general disillusionment with the merger that had set in during the post-merger integration process. As mentioned above, Wärtsilä Diesel and New Sulzer Diesel were only partially in the same line of business; the production, sales and service of 4-stroke diesel engines for marine and power plant applications. The ‘other part’ of the business that New Sulzer Diesel brought into the merger was the 2-stroke business: large low-speed diesel engines used as main engines in large ships such as oil tankers, for example. The difference in business practice evidently took such gigantic proportions, because its extent and nature was evidently surprising to all involved parties. The merging parties did not seem to be able to confirm the picture they had of the company or companies they were merging with, with what they encountered later on in the post-merger integration process in terms of how the ‘other side’ was managed. On the acquired companies’ side the additional surprise was that the acquirers did not seem to understand the difference of the 2-stroke business. On the acquirer’s side again, the surprise seemed to originate from the acquired company representatives’ resistance to changing the outlook on their business, but also because the 2-stroke business perhaps could in the end not be ‘turned around’ in the manner they had envisioned. The issue surrounding the
2-stroke business was most striking as the unit in Switzerland was the technology centre for that line of business.

What seems to have been the case especially between the former Wärtsilä Diesel and Swiss part of the New Sulzer Diesel organisations was also a difference in general ‘business priority’. On the former New Sulzer Diesel side, people seemed to identify themselves foremost with their product(s). In addition, they had gone through ownership changes in the past. This seemed to explain this unit’s emphasis on how things were done, the procedures, form and nature of business. On the former Wärtsilä Diesel side, again, people seemed to identify themselves not only with their product(s), but also with their company as such. The company had been through a period of exceptional growth, and many of the individuals working within the company had participated in building the company into what it was. Also, an entrepreneurial spirit seemed to have remained from the days when it ‘started out small’. All this seemed to have influenced the emergence and continuation of a general ‘business priority mind set’ that emphasised ‘what’ over ‘how’. At the former Wärtsilä Diesel, maximising profits and increasing market share seemed to be the focal point of doing business. At the former New Sulzer Diesel, again, being true to company heritage, how business was traditionally conducted within the company and how changes or improvements were to be made also seemed to be focused upon. Thus, this was an additional ‘clash’ to the different outlook on the 2-stroke business.

The other intense problem area of this merger was the general disillusionment with it. This disillusionment had differing reasons in the different units affected by the merger, but had evidently lowered commitment toward the merger and seemed to generally have lowered motivation. In many parts of the organisation, the merger had been met with enthusiasm. Either because it did not turn out to be the way people had anticipated or because the kind of changes and actions they had anticipated did not emerge, disillusionment seemed to have set in. In addition, the
company made a loss for the first time in its history in 1997 (and in 1998), which was to a large extent caused by the crisis in the Asian market. The merger had exceeded its costs and had evidently not turned out as profit generating as had been calculated. These facts seemed to have added to the disillusionment with the merger. Also, the other major problematic aspect of this merger, the difference in the way of working, i.e. ‘business practice’, seemed to promote the disillusionment with the merger. In many parts of the company, particularly the units in Finland, the overall management of post-merger integration seemed to add to the disillusionment, as it was perceived as deficient or not utilising previous merger experience to the extent it could. In the Finnish units of the company, disillusionment seems also to have been more or less existent from the outset of the merger. This seemed to be rooted in the previous negative experiences of this unit’s members in terms of them not having seen the true benefits of the merger from their point of view. On the acquired company’s side, disillusionment with the merger seems to have partly originated in the communication and behaviour of acquiring company representatives, which did not seem to accord with their understanding of how it should be. Also, some product portfolio decisions seemed to cause frustration and disillusionment. In the former New Sulzer Diesel subsidiary in France, an additional cause of disillusionment with the merger seemed to have been the perceived insincere communication of the restructuring of their unit at the beginning of post-merger integration. In Italy, again, the perceived stagnation of the post-merger integration process after the initial enthusiastic anticipation of coming changes seemed to promote disillusionment, as did the lack of integrative measures such as job rotation. Actual physical integration had to be executed in some parts of the corporation’s global sales and service network, and the perceived necessity and fairness of this process seemed to have caused frustration, resistance and disillusionment to varying degrees, depending on the circumstances in the respective countries.
These problem areas of the merger between Wärtsilä Diesel and New Sulzer Diesel seemed to impede and perhaps even counteract post-merger integration. As in the first case merger, the underlying feature of these problem areas seemed to be the ‘element of surprise’; the unexpected nature of these problematic circumstances and occurrences.

FINDINGS – THE ROLE OF EXPECTATIONS

The purpose of this study was to investigate possible problem areas within the human side of mergers and post-merger integration and to shed light on the role of expectations within mergers and post-merger integration. This purpose was inductively arrived at during the process of data analysis.

The causes of the problem areas in the case mergers examined in this study could be divided into two broad categories. For one, there seems to be the general undercurrent that has to do with organisational change per se. In the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel, the issue of merger terminology and its sources, including confusion about the terms used and the impact of the division of ownership would have to be placed in this category. This goes for the role of the joint venture agreement in the merger as well, both in terms of the terminology aspect of the merger and the internal competition. The difficulties with the original management of Stork-Werkspoor Diesel originating in ‘merger perception’ would fall into this general undercurrent likewise. In the merger between Wärtsilä Diesel and New Sulzer Diesel, the disillusionment with the merger and its evident causes lying in the different expectations of the merger would have to be placed in the category of ‘merger expectations’ as well. This would be the case for the disillusionment connected with ‘merger terminology’, ‘merger behaviour’ and the expected degree of integra-
tion within the different units enmeshed in this merger. Also, the generally surprising nature of the difference in business practice evidently belongs to this category, as it did not seem to have been expected to the extent that it actually materialised.

The other category of causes in problem areas in the case mergers would be how the merger and post-merger integration were perceived to be managed and, on the other hand, expected to be managed. The internal competition and the perceived loss of time that were predominant problem areas in the merger between Wärtsilä Diesel and Stork-Werkspoor Diesel seemed to have been influenced by the inconsistency between expectations and what later occurred in terms of merger and post-merger integration management. In the merger between Wärtsilä Diesel and New Sulzer Diesel, the disillusionment with the merger stemming from the perceived management insufficiencies as well as the difference in business practice with its conflicting ways of working and behavioural dimensions seem to belong to this category as well.

It seemed to be common to the problem areas explored in the two case mergers of this study that the circumstances and occurrences after the merger evidently did not correspond with what people had expected. Expectations are evidently highly individualistic, influenced by an individual’s previous experiences, knowledge, possibly ‘personality’, and such. However, during the analysis of the problem areas of the case mergers, several areas within mergers and post-merger integration could be detected that seemed to influence merger-related expectations. These influences seemed to have a collective connotation to them; organisational members were confronted with them ‘collectively’ in sharing the experience of being part of a merger and its post-merger integration process, thus sharing merger-related ‘events’. These influential aspects around merger-related expectations detected in this study were:
✓ the marketing of a merger
✓ the potential synergy emphasised within the frames of ‘merger marketing’
✓ the ‘merger terminology’ employed
✓ the notion of integration in terms of ‘integration need’
✓ the management of post-merger integration

The ‘marketing’ of a merger seems to influence expectations of it as it is evidently directed at ‘justifying’ a merger and making it ‘look good’. The synergy potentials of the merger are emphasised and perhaps even overestimated. ‘Merger terminology’, i.e. whether a merger is communicated as a merger, a takeover, an acquisition or even a joint venture (as was the case in the merger between Wärtsilä Diesel and New Sulzer Diesel), seems to influence expectations of a merger and post-merger integration because the different terms listed above evoke different expectations in terms of management and behaviour, for example. A merger seems to be connected with the joining of equal partners, whereas in a takeover dominance of the acquirer seems to be accepted and expected. An acquisition seems to be put in between the merger and the takeover in terms of acquirer dominance. A joint venture, in turn, seems to be perceived as a partnership characterised by more independence than a merger. These ‘understandings’ of the different terms seem to influence expectations of the organisational change people find themselves part of in terms of expected change related events, behaviour and such. One aspect evidently closely linked to the terminology employed in a merger is the perception of the necessary degree of integration connected with a merger. The perceived necessary degree of integration influences what is expected of ‘integrational decisions and actions’, and can differ between the different ‘sides’ and units enmeshed in a merger. The management of post-merger integration again seems
to be connected with merger-related expectations in that certain managerial action is expected in conjunction with mergers and post-merger integration as such. The expected kind and extent of managerial action in turn is evidently influenced by expectations of the merger in its synergistic, terminological and ‘integrational’ colouring.

The results of this study indicate that expectations within mergers and post-merger integration can affect the attitude and commitment to a merger and the ‘new’ organisation. Thus, they can also affect ‘merger performance’ and the commencement of the post-merger integration process. The influence of expectations about mergers and post-merger integration derives from the filtering function expectations hold within the process of interpreting and reacting to environmental stimuli (events). They seem to influence the reception of and reaction to events, as they evidently tend to be confirmed rather than refuted. Their role seems to be intensified in a merger because of the uncertainty and threat a merger poses in terms of unforeseen change. In situations characterised by uncertainty, people evidently display an enhanced need to strive for an experience of stability – as much stability as can be obtained at any given point in time. Thus the significance of expectations as a means to increase the experience of stability through comparing them to what is actually happening is evidently intensified. The process of comparing stimuli (events) to expectations can include one of four different adjustments;

✓ confirmation of event with expectation
✓ rejection of the event
✓ adjustment of the expectation about the event
✓ adjustment of the event to the expectation.

Confirmation of the event with the expectation seems to be the expectation related adjustment that heightens the experience of (momentary) stability most effectively. Adjusting an
expectation of an event perhaps incorporates less experienced stability, but a new, modified expectation arises that could be ‘more accurate’ and enhance the experience of stability later on. The two expectation-experience adjustments that are evidently risky for post-merger integration and merger performance are the complete rejection of an event (as if it never existed) and the adjustment of an event to suit the expectation, because they bear with them a feature of ‘distortion’. Confirmation of an expectation, which is considered to be the preferred reaction to stimuli (events), can also be detrimental in that it ‘blocks receiving’. Positive aspects of a merger might thus ‘go unnoticed’.

Awareness of the connection between expectations and integrative problems on the human side of mergers and post-merger integration is considered to be valuable, as expectations seem to – subtly and mostly on a sub conscious level – ‘govern’ every one of us. The awareness of what is predominantly expected of a merger and post-merger integration within merging organisations could be helpful in understanding reactions to events. Also, through understanding the mechanism of expectations as compared to experiences (stimuli, events), the negative consequences of ‘unfulfilled’ expectations or the adjustment or rejection (ignoring) of events could perhaps be avoided. Expectations evidently tend to be confirmed rather than refuted, which could block reception of positive aspects of a merger or post-merger integration within an organisation. Commitment towards a merger and the ‘new’ organisation it creates evidently suffers when expectations of them are not confirmed by the merger and post-merger integration related events. This in turn can affect post-merger integration, merger performance and the perceived success of a merger.
EVALUATION OF THE STUDY

The evaluation of this study is of importance in two areas. For one, its results have to be evaluated in scientific terms in order to validate its findings and shed light on their significance. Secondly, the value of this study in its sole emphasis on problems, i.e. problematic aspects on the human side of mergers and post-merger integration should be explored, not only because of its gloomy and depressing nature, but also to in order to justify this particular emphasis.

SCIENTIFIC CONSIDERATIONS

It is discovery that attracts me to this business, not the checking out of what we think we already know.
(Mintzberg, 1979, p. 108)

The researcher is often viewed as an explorer, an adventurer, a hero of the intellect in our society. (Gustafsson, 1994)
As stated above, the study of expectations in mergers per se was not the purpose of this study from its outset. Rather, expectations emerged as an underlying shared aspect of the ‘problem areas’ encountered in both the mergers studied. Expectations stuck out as a cause that seemed to create experiences of difficulty, frustration, disillusionment, surprise or alike in the studied mergers. In this sense, this study has been like an adventurous voyage, its results being the ‘unknown world’ that existed only as a vague, speculative, dreamlike idea at the beginning of the expedition.

This study could be considered to be an example of the flexibility ascribed to qualitative research in general, where theory and empirical investigations are interwoven, but the demarcation of theory is typically set at a later stage of a study in order not to create preconceptions in the researcher. Instead, premature con-
clusions and a biased interpretation of data are held at bay, (cf. Bryman, 1992) and

…the researcher is able to capitalize on chance remarks or unexpected events that propel a new line of investigation. (Bryman, 1989, p. 138)

In contrast to this explorative research, within more quantitatively oriented research, bias is considered to be built into hypothesis from the outset, arguably producing interesting research. Nevertheless, the built in pre understanding could block innovative thinking. (Gummesson, 1991)

In trying to force reality into concepts and theory, reality becomes distorted rather than explained. [...] Science is guilty of the same behaviour I call procrustean science. This refers to the misuse of established and acknowledged theories, concepts, and models for formulating hypotheses to be tested through empirical research. When such hypotheses are used as a point of departure in research, they govern the way questions are asked and the way answers and other observations are interpreted. (Gummesson, 1991, p. 54 ff.)

Had the purpose of this study been to test a specific hypothesis from its outset, the hypothesis would most likely not have been related to expectations in any way. Their evident relevance in mergers and post-merger integration would possibly not have been discovered in this study. Discovery is the ‘profit’ of the chosen research paradigm and method of this study. This study is representative of qualitative research, where the researcher ‘works up’ (and in most cases also ‘down’) from data. (cf. Richards and Richards, 1994). This work can be carried out in different ways, but according to Richards and Richards (idem) all such efforts have theoretical results, as they present new ideas and/or concepts and explanatory links between data and ideas. In their understand-
ing, the ‘code-and-retrieve’ method of analysing data supports the emergence of theory. Thus,

...qualitative research may be seen more simply as a different approach to data collection, which allows issues that are less amenable to quantitative research to be examined. (Bryman, 1989, p. 27)

When the definition of a theory as an explanation of what is causing the observed phenomena is employed, (Pentland, 1999) expectations as factors influencing merger and post-merger integration related problem areas and acting as an influence on merger and post-merger integration performance can be viewed as developing (or ‘emergent’ (cf. Yin, 1994)) theory. As Eisenhardt (1989) points out, the reason for research applying a case study method is not to replicate existing theory, but to develop new insights. Theory building can also cover the beginning of theory development, and thus does not have to be developed, ‘ready’ theory. (Eisenhardt, 1989) Inductive research has, according to Mintzberg (1979), two essential steps; detective work, i.e. tracking down patterns, consistencies, and the creative leap, i.e. theorising about one’s findings. Mintzberg (idem) argues that there could not be theories without creative leaps, as theory is not generated by data, but by the researcher researching. Were it not for researchers generalising ‘beyond’ their data, there would be no hypotheses to test. In the light of the study presented here, this would mean that since a ‘generalisation’ on the role of expectations in mergers and post-merger integration has been put forward, this concept could now be tested as a hypothesis or several hypotheses.

The usefulness of a theory is considered to lie within prediction, application and explanation. Its predictive ability in similar settings, its applicability to other (similar) settings and its ability to explain the encountered phenomenon and other similar phenomena make it relevant, valuable. (Glaser and Strauss, 1967) According to Mintzberg (idem), the value of a theory does not lie
in it being true or false, as no theory can be true, being an abstraction and simplification of ‘reality’. Instead, the value of a theory lies in its usefulness. High-quality detective work (characterised by ‘peripheral vision’ and ‘poking around’) as well as creative leaps in the ‘right direction’ are considered to determine the usefulness of a theory. (idem) The ‘usefulness’ of a theory as a denominator of its value goes hand in hand with the pragmatic approach taken in this study; increasing understanding of organisations and organisational phenomena should be useful to the improvement of organisational performance and ‘well-being’.

To what degree the findings in this study reflect the multiple realities encountered in the case mergers is open to interpretation. Mintzberg (1979) has a point in considering that if one has studied perceptions, then one should not, for example, confuse ‘the environment’ with ‘perceptions of the environment’. As Bryman (1989) points out, a problem facing qualitative research is the question of whether or not the ‘reality’ described has been interpreted correctly ‘through the eyes of his or her respondents’. (idem, p. 163) Another question that is provoked through this dilemma is whether or not it is at all possible to interpret a social setting correctly through somebody else’s eyes, or whether research in any case is an interpretation by the researcher, making it an interpretation of interpretations. Scientific discoveries are argued to be combinations of observed (possibly second hand) phenomena and a researcher’s thought constructions. (Gustafsson, 1994) Also Norén (1998) argues that when it comes to philosophy and the theory of science from a qualitative perspective, all science is in the end interpretation. This would seem to be the case particularly for descriptive research, as a description always includes analysis and interpretation. The describer has to make choices when describing, and these choices are based on the describer’s world view, i.e. paradigm. S/he therefore ‘colours the presented’. (Gumnesson, 1991)
Theory is seen as an explanation of what is causing the observed phenomenon or phenomena. A description, again, can be viewed as a story describing the process, the events that ‘lie behind’ the phenomenon or the phenomena, giving meaning to it or them. The move from description to explanation is considered to be a move to ‘better theory’ (cf. Pentland, 1999).

In this view, stories are central to building better theory.
(Pentland, 1999, p. 711)

Stories, however, need a storyteller, descriptions need a ‘describer’ and explanations need ‘somebody’ to do the explaining. Thus, the interpretive dimension inherent in research into descriptive organisational theory evidently cannot be avoided. Within the research paradigm employed in this study – viewing ‘reality’ as a subjective and individual experience constructed in an ongoing process of social interaction – the interpretive dimension to research can be seen as an advantage instead of a weakness as every individual’s interpretation and experience of reality is unique and valuable. This would likewise be the case for the researcher’s interpretation. The results of this study should consequently be viewed as unique, as they are influenced by a particular researcher’s worldview, background, thought structures and creative leaps.

A FEW WORDS ON THE ‘PROBLEM FOCUS’

In this study, focus has been on ‘problem areas’ on the human side of mergers and post-merger integration. As Nynäsv (2001) points out, cultural encounters were mostly associated with problems and conflicts by his ‘respondents’ in his study of intercultural communication and encounters. The same feature seems to exist within research into mergers; interviewees in this study certainly focused on problematic aspects of the respective mergers, even if not asked in particular about them. As is evident from the literature review of this study on previous merger research, other
merger research seems to have focused on problematic aspects and negative effects of mergers to some extent as well.

In addition, it seems to be a very human trait of the social sciences to always be focusing on problems. It could stem from an urge to try to make things better and understand what went wrong and why, i.e. find the reasons and causes for different disturbances or disorders. (cf. Berglund, 1995) We could probably learn equally well from successes and things that go well, but within merger research, this is evidently not often the case. There are, of course, exceptions to the rule, such as Franck’s (1990) brief description of a ‘successful’ merger he had been part of as a consultant and his comparisons to other ‘successful’ mergers.

However, humans are a thinking species seeking understanding. Understanding seems to be both a human need and a prerequisite for development, be it development of relations to other human beings or development of oneself. Understanding seems to give us security through providing us with meaning and context. (Olofsson & Sjöström, 1993) Statt (1994) claims that human beings not only need to understand but also need to justify their beliefs, attitudes, feelings and values. Behind this lies the need to convince ourselves and other people that our behaviour makes sense, which in turn originates from our sense of order and predictability. (ibid) Why, then, would it seem important to ‘understand negative things’, examine problems? Tenzin Gyatso, the Fourteenth Dalai Lama, stresses constant study and investigation of negative feelings and emotions and argues that this is the way to both reduce them and the effect they have on us human beings.

We need to think, think, think. We should be like a scientist who collects data, analyses it, and draws the appropriate conclusion. Gaining insight into our own negativity is a lifelong task, and one which is capable of almost infinite refinement. But unless we undertake it, we will be unable to see where to make the necessary changes in our lives.

(Gyatso, 1999, pp. 94)
A belief behind this line of reasoning seems to be that when we have understood something (in this case the reasons, motives and principles for or behind negative feelings and emotions) we can change it. This could possibly be the case as well whenever we are confronted by negativity or any kind of emotions and feelings that are experienced in some way as negative within an organisation. Enhanced understanding of ‘negative aspects’ of organising could provide a means to change them – hopefully ‘for the better’, as an evidently preferred form of development. In addition, mergers are about the realisation of synergies. The avoidance of ‘negative synergy’ could evidently play a role in this context as well, as mergers seem to suffer from ‘problematic’ aspects and consequences according to previous research within the area and concluding from the case mergers of this study.

The research approach chosen in this study provided a favourable setting for understanding the ‘negativity’ in the case mergers, as a case study is suited to ‘in depth’ examination of (current phenomena within) particular settings. It could be considered a weakness of the primary data collection method – semi structured interviewing – that not all organisational members who were part of the mergers could be interviewed. How much did the choice of interviewees, for example, colour the concentration on ‘problem areas’ of the case mergers? However, considering the paradigmatic view of ‘reality’ employed in this study, with its characteristic of being subjective, individual and ‘individually held’, the ‘sharedness’ of interviewees’ experiences of the problematic aspects they encountered in the case mergers can be considered to give an indication of the ‘collective experience’ of the problematic aspects within the studied organisations. The results of this study should thus be seen as one possible description and explanation of the studied phenomenon, not as ‘reality’ itself. Thus, the question of inclusion of all organisational members in a study of this nature
loses its sharpness, as the ‘truth’ of the collective experience of the case mergers cannot be obtained.

IMPLICATIONS FOR PRACTITIONERS

Our purpose is to develop valid and grounded theory that speaks to the issues and concerns of those we study.

(Strauss and Corbin, 1998, p. 265)

This study’s pragmatic approach necessitates the examination of its results in terms of what they could mean for practitioners. This does not seem to be uncommon within merger-related research. There are evidently numerous integrative measures and facilitating actions put forward within this genre that a company can employ to make integration quicker, easier and more efficient. (cf. Larsson, 1990) Especially the more normative merger-related literature is saturated with recommendations for integrative measures, including measures such as different types of communication, company get togethers, training, job rotation etc. Also in the case company of this study, especially in the merger between Wärtsilä Diesel and New Sulzer Diesel, some integrative measures were used. These were, for example, the training course called EMERGE mentioned earlier, or the task forces employed to plan for the merger and its post-merger integration.

In the context of the human side of organisations, the question of the relative importance of managerial attention to issues on the ‘softer’ side of mergers and post-merger integration arises. Managerial attention is certainly needed in other areas of merging organisations as well, such as the integration of structures and systems. In addition, stakeholders ‘outside’ the organisation might require increased attention. Thus, the management of the human aspects of mergers and post-merger integration seems like an addition to the already extensive managerial workload related
to a merger and its post-merger integration process. Nevertheless, the management of the ‘softer’ side of organisations seems to be advocated in merger-related research;

From this ['softer'] perspective, the main managerial task of managing acquisitions after the purchase is the understanding and the careful and empathetic handling of sociocultural processes triggered by the encounter of the two companies.
(Deiser, 1994, p. 362)

A difficulty of managerial attention to the human side of mergers and post-merger integration could lie in its perceived diffuse and all encompassing nature. Blomberg (1995), for example, points out that a manager or leader in an organisation does not necessarily need to know how the consciousness of his fellow organisational members functions in order to do ‘a good job.’ This is a seemingly complex and problematical area; where does the consciousness and its ‘functioning’ of an individual start, what does it incorporate and what not? Should a manager or leader be able to ‘manage’ people, and to what extent? Is ‘a job well done’ if the responsible people within an organisation are not aware of the reception of what they are communicating and thus possibly induce more frustration among their fellow organisational members? Is it at all possible to influence fellow organisational members in terms of what they think and expect of a merger, for example? According to Vaara (1995), the intentional manipulation of the way people react to changes is possible. Hellgren and Löwstedt (1997) point out, however, that it is perhaps not most effective to manipulate people’s thoughts directly and openly, but instead indirectly. Also, they warn against an overly effective manipulation of organizational members’ thoughts, as complete homogeneity of thoughts without tension and different ways of thinking might be counterproductive to learning, for example. These questions and cautionary words do not seem helpful in bringing clarity and sim-
licity to the management of the ‘human dimension’ of organisations and its significance.

Considering the management of mergers and post-merger integration specifically, Nahavandi and Malekzadeh (1993), for example, state that the needs and preferences of the acquired organisation should be understood in conjunction with a merger and post-merger integration. Also the political landscape of a merger and the priorities of leaders and managers of the different units of merging companies are areas within a merger and post-merger integration that might demand managerial awareness and attention. What seems to make these kinds of issues so important? As Shrivastava (1986) points out, the importance of integrative measures lies in the fact that integration can be introduced from the beginning of a merger through them. He argues that participation in acquisition analysis and decision making from the acquired company’s side, for example, is vital, even before the merger for the introduction of integration. In the light of expectations of a merger and its post-merger integration, this would seem vital as well, because it could cause an adjustment of expectations to correspond more to the actual ‘integrative events’ later on during post-merger integration, for all involved parties.

Communication is a specific area of merger and post-merger integration management that has evidently received attention within merger-related research. Ashkenas et al. (1998), for example, argue for a quick and precise communication of all career affecting aspects after a merger deal has been signed to avoid ‘value drainage’ due to uncertainty and anxiety. This way, the perceived confirmation of people’s ‘worst-case scenario expectations’ could be avoided. Also, managers can be faced with situations characterised by insufficient information in mergers and post-merger integration. The dilemma facing any manager in such a situation is whether or not to give out any information at all and thus avoid the risk of communicating information that could turn out to have been incorrect. Schweiger and DeNisi (1991) argue, how-
ever, that in the case of no communication from management’s side, employees will be tempted to rely more on rumours, which in turn could have negative repercussions on the frustration and anxiety experienced by employees trying to cope with the merger situation. In this light, it is considered to be better to communicate what is not known at the time and state the reasons for why it is not known and, if possible, give an estimate of when the information will be available. This is argued to counteract the emergence or prolongation of fear and resentment. (Bridges, 1991) Formalisation of internal communication channels early on in a merger is considered to be able to counter-act negative effects consequential to rumours, the grapevine and information from outside the organisation. (Buono and Bowditch, 1990, cf. also Burke, 1987)

Sufficient, honest and realistic communication about the consequences and effects of a merger both for individuals and the whole organisation early on in the merger process and continuously thereafter is considered to reduce the uncertainty and fear caused by a merger. The perceived trustworthiness and honesty of the company responsible for the merger can increase, as well as commitment to the new company. At the same time, the productivity and effectiveness of the organisation as well as other possible negative repercussions are argued not to be influenced as negatively as they would be, if employees were left to wander ‘in the dark’ without a guiding light to help them cope with the situation. (Schweiger and DeNisi, 1991, Buono and Bowditch, 1989) The mechanisms of the benefits of communication in a merger can again be explained by information and other stimuli being compared to the expectations a person has of the subject. ‘Worst-case’ expectations could be refuted, more positive expectations could be ‘triggered’ and the experience of stability could consequently be enhanced.

There is yet another aspect to the link between communication and expectations, which is exemplified by the following argument. According to Bridges (1991) people within an organi-
sation should be given information, also the same information, repeatedly. Holding back on information can cause bitterness and mistrust; information experienced as unpleasant or threatening is understood very slowly and should be given repeatedly in different ways and through different media. Even though organisational change can be resisted, Buono et al. (1985) argue that organisational members will support it if they understand the need for it.

...the management of the change processes following mergers and acquisitions can also be management of meaning in the sense of trying to constructively affect people’s goals and interpretations of success or failure.
(Vaara, 1995, p. 146)

The repetition of communication or information seems to be both understandable and necessary because people are generally more interested in confirming expectations than contradicting them. (Weick, 1995) This means that information or any other stimulus (event) that is in line with the expectation of an individual will support this expectation and thus be registered and accepted more easily than a stimulus contradictory to the expectation. Repeating ‘unexpected’ information evidently becomes vital, as its reception is more difficult than receiving information that is expected and thus not surprising. Being aware of and possibly influencing expectations (‘expectation management’) in conjunction with managing a merger and its post-merger integration process seems to consequently gain significance. The comparison and adjustment of expectations to experiences (stimuli) seems to be an ongoing process of regulation and fine tuning, for example, of organisational members’ perceived necessary degree of integration and the extent of integration desired by the top management of an organisation.

Awareness of expectations, as mentioned earlier in this study, can prove to be important also regarding one’s own expectations and their influence on how we perceive and react to our
environment. For managers in an organisation, this could prove vital, as they are in an influential and ‘guidance’ position within an organisation. Also, they could become emotional and intellectual prisoners of their own decisions. Awareness of what guides them themselves could, as pointed out by Shrivastava (1986), prove important:

[The Organizational Frame of Reference] consists of assumptions, information, and mental maps that managers use in decision making. Assumptions are the taken for granted beliefs about the organization and its environment that are never questioned by managers. Often, managers are not fully aware of all the assumptions they make. Managers also show preference for certain types of information. […] These frames of reference should be made a critical focus of post-merger integration.

(Shrivastava, 1986, p. 71 ff)

Within ‘expectation management’ as well as other management of organisations generally the focus should evidently not be on problematic aspects or situations, i.e. problems to a large extent in terms of engaging organisational members, because

When the magnitude of problems is scaled upward in the interest of mobilizing action, the quality of thought and action declines, because processes such as frustration, arousal, and helplessness are activated.

(Weick, 1984, p. 40)

Although Weick (idem) is referring to ‘mobilising action’ in terms of societal engagement regarding societal, environmental, ‘global’ etc. issues, the avoidance of a strong focus on merger-related problems alone could also be useful for managing post-merger integration and expectations in conjunction with it.

The point of management per se is to evoke and enhance commitment and motivation. As has become evident in this study,
expectations influence commitment to a merger and thus the commencement of post-merger integration. Consequently, awareness and management of expectations in conjunction with mergers could be beneficial for merger performance and the overall success of a merger. However, every merger is unique, as is every organisation. Clear-cut guidelines that will work in all circumstances and all mergers are an illusion. (cf. Vaara, 1995)

FUTURE PATHS

This study can provide an ideational base for further investigations. The data stored in QSR NUD*IST that provide the empirical base for this study offer a basis for further research as such. The data are by no means exhausted, and many topics related to mergers, internationally operating corporations, managerial differences across cultures and the like could be studied with its help. This would be in line with how data are generally made use of within PBI (The Research Group for Project Based Industry); vast quantities of qualitative data that can be exploited for different research purposes. Examples of this would be the studies by Nynäsv (1998), K. Wikström (2000) and Nynäsv (2001). Nynäsv (1998) uses PBI’s extensive data on supplier-customer relations to study intercultural communication within international project-based industry. K. Wikström (2000) again explores how knowledge accumulation should be handled within project-based industry. Nynäsv (2001) in turn examines intercultural communication and encounters in international power plant projects as part of a larger research project on international power plant project work. Several other studies of similar size are currently under way with this material as well.

As the role of expectations in mergers and post-merger integration discovered in this study can be considered as devel-
oping theory, more detailed and focused investigations of how expectations and the ‘expectations-experience gap’ influences mergers and post-merger integration could be beneficial for research into the human side of mergers and post-merger integration. Thus, the road is naturally open for more explorative as well as more quantitative, hypotheses testing research into the role of expectations in mergers and post-merger integration. Hypotheses springing out of the results of this study could, for example, be developed around the aspects found in this study to influence merger-related expectations; ‘merger marketing’, merger terminology, merger-related behaviour, integration and the perceived necessary degree of integration as well as merger and post-merger integration management. Whether or not these aspects could be found to influence expectations and consequently merger performance in other mergers would be an attractive area to be study. Then, comparisons with the cases presented here could possibly be made. Also, other aspects that could influence merger-related expectations could be the focus of further research. The influence of expectations and experience and their ‘gap’ on commitment to a merger – or an organisation in general – could be beneficial for theory and practice as well. In addition, as Cartwright and Cooper (1990) point out, it could be beneficial for study (and learn from) not only difficult, but also successful, mergers. What role expectations would have in successful mergers could be an interesting area of discovery, not least for its value in terms of comparison. Also, merger success (and/or failure) seems to be a topic that could use further exploration. (cf. Vaara, 1995, Søderberg, 2000) Following the path of Vaara (1995), who studied managerial actors in two case mergers, the role and influence of top management behaviour in mergers could be another line of intensified examination, even using the material of this study.

A more detailed categorisation of merger-related expectations or expectations related to organisational life and their influence could also be attempted to enhance understanding in this
area of ‘organising’. Classification along structures, as presented by Löwstedt (1995a), could be a fruitful point of departure for this. He differentiates between ‘thought structure’ and ‘action structure’, for example. Again, the infusion of system theory into the study of the role of expectations within mergers or organisations in general could be beneficial for shedding light on the role of expectations, explaining the expectation as part of a dynamic process and ‘system’.

Other areas of further investigation where the role of expectations are concerned in organisational life by and large or in conjunction with mergers specifically could be aspects this study did not focus upon or incorporate into its line of investigation. For example, the role of the diesel business and its characteristics regarding its possible influence on the expectations that seemed to be present in the case mergers has not been examined. Also, the differences in expectations and their influence in terms of positional level could form an interesting area for further study, although, as Löwstedt (1995b) points out, a higher position in an organisational hierarchy does not necessarily mean that the individual in that position has more developed conceptions and understanding compared to an individual on a lower level.

As Vaara (2000) points out, research into mergers and acquisitions lacks focus on their broader societal implications. This is evidently the case, but lies outside of the boundaries of this study and the material analysed and presented here. It can be concluded, however, that mergers and their post-merger integration processes do seem to provide an excellent setting in which to study many aspects of organisational life.

“Yeah, but you know, in these type of things there is not a winner or a loser. There is a synergy. If it works, it’s to the benefit of everybody. If there are winners and losers, then I think this creates a situation, which I don’t think is the case to... to... to... to... foresee. Of course, I mean... I mean, it’s not a war, eh? A war... it’s not sports. It’s industry. So a war in sports, there is a
winner and a loser. In industry, there is synergy, there is common goals, there is… If you look at these type of things which involve so many people all around the world. I mean, if you give the idea of somebody has won and somebody has lost, then there is the idea of somebody who might think of revenge. And you know, these type of situations don’t work. It’s a matter of convincing everybody that we are all in the same boat, we should all row in the same direction. Of course there is somebody who has to have the rudder in his hands, but… having said this, the… necessity is, that everybody rows in the same direction, and I think this is more or less what is happening. Even if as I was saying, to mix so many cultures, so many languages, I mean, also the language, we have Dutch, Finnish, Swedish, French, Italian… German… It is not that easy, or that simple…” (Francesco)

**PERSONAL SIGNIFICANCE OF THE STUDY**

Writing constituted the most challenging part of this study. At times, it has seemed an almost insurmountable challenge. In the course of the analysis of the material for this study as well as the challenges encountered, I ventured not only into different aspects of mergers and post-merger integration, but also took a detour into trying to analyse why writing seemed to pose such severe a challenge. This detour (Frommer, 1999a) was not as fruitful as I had hoped it to be in terms of providing me with the necessary insight to overcome what is sometimes termed ‘writer’s block’. For me, writing seemed to become more comfortable first after discovering that what was ‘blocking’ me was a fear of myself and my own judgement and criticism. Once I understood this, I began writing freely and as effortlessly as never before. This exemplifies the power of understanding; understanding the link between the symptom and its cause(s) enabled the alteration of its dynamics and influence in the case of my ‘writer’s block’. In addition to
providing a setting to discover this fear, this study has also pro-
vided opportunities for the exploration of my personal strengths
and limitations, as well as awareness of how I am governed and
guided by my expectations in all areas of my life. Naturally, the
understanding I have gained of mergers, post-merger integration,
interviewing as well as the case company have been invaluable for
me.

During the course of this study, I have also come across the
difference in intelligence and wisdom. Embarking on a journey
guided by a qualitative research paradigm, this difference became
significant to me through a combination of my own pondering
about science, truth and knowledge and through the discovery of
both intelligent and wise words on these subjects. The difference
seems to lie in that intelligence seems to focus on categorising and
analysing, on the width and vastness of knowledge. Also, ‘intelli-
gence’ seems to want to solve all ambiguities, preferably as quickly
as possible. It is concerned with logical thinking, quick and easy
decisions and practical problem solving. Wisdom, on the other
hand, is more concerned with the nature and limitations of knowl-
edge, its depth. It seems to be about accepting the ambiguity
of knowledge and experience. Ultimately, it can be argued to be
about self knowledge in its quest for the non automation of think-
ing, and its understanding of pattern formations. (cf. Huttunen,
1999) To me, this difference between intelligence and wisdom has
provided some kind of additional dimension to research. Also, it
explains and justifies the co existence of different types of research
such as, for example, the quantitative and qualitative schools gen-
erally.
1. The concept of *paradigm* can be ascribed differing meanings; here it is employed as a term encompassing people’s (and thus also a researcher’s) view of the world, i.e. the value judgements, norms, standards, perspectives, ideologies etc. that govern their way of thinking. (cf. Gummesson, 1991)

2. ‘Theory’ is used here in the word’s wider sense; a theory as a (partial) explanation of reality, nevertheless not (equal to) reality.

3. According to Hacking (1999) social constructivists can be ranked into ‘reformists’, ‘unmaskers’, ‘rebels’ and ‘revolutionists’. Thus, there seem to be ‘degrees’ to social constructionism.

4. The difference from ‘consultancy research’ to ‘action research’ as understood in this context would be that action research requires the follow-up of the research generated recommendations of the researcher(s) by definition; ‘consultancy research’ does not presuppose the continuous involvement of the researcher(s) in the studied organisation, but is a more general term. Thus action research would be a specific more narrowly defined kind of consultancy research.

5. In this context, ‘improving’ the world is seen as an individual and subjective notion of ‘making things better’.

6. In this context, the investigation into the concept of ‘grand’ contribution to theory would be interesting, although outside the focus of this study. The purpose of this footnote is, nevertheless, to evoke critical thoughts around the concept of ‘theory contribution’: who assesses and evaluates contributions to theory, how, when and why.

7. As discussed above, the completely pre conception-free researcher is unlikely, as we are coloured by social and cultural heritage and previous knowledge and experiences. (see e.g. Gummesson, 1991, Strauss and Corbin, 1998)

8. Comparing the purchase price with the likely costs for the replacement of the acquired company’s assets is used as an indicator of the quality of the price that has been or will be paid for a company. The inclusion of tangible assets is considered to be more beneficial in this respect. (Golbe and White, 1988)

9. Bild (idem) defines the terms takeover, acquisition and merger as interchangeable and uses them in that way throughout his study.

10. For the definition of the ‘merger syndrome’, please refer to the section on ‘effects on individuals’ in this chapter.
11. ‘Categorisation’ and its function are discussed further on in this chapter.

12. A union organisation required by Dutch law to represent the workers’ interests in companies. One representative of the works council in a company is also legally required to be a member of the supervisory board of the company.

13. As will be explained again in the description of the case company, Network Companies are Wärtsilä owned sales and service companies, through which the corporation maintains representation world wide, in a ‘global network’.

14. Bore 500 mm and above

15. These were the shipyard group, the metal workshop group and the silicate group.

16. Product Companies are production units of the corporation, Network Companies the different companies around the world that form the corporation’s global sales network.

17. 1 MW = 1,350 horse power

18. This happened simultaneously in the automotive industry as well, initially in locomotives, then other automotive applications such as earth moving equipment, farming machines, trucks etc., i.e. industries where the steam engine had been used.

19. It is not the intention to judge the appropriateness of the term of the agreement anywhere in this study. Interested lies solely in the impact it seemed to have on the merger, and its apparent effects are examined during the course of the analysis of this merger’s problem areas.

20. For references, please turn to chapter II on merger theory and the section on the findings within previous research into the human side of mergers.

21. See chapter II

22. Apparently it was not possible for everybody in the organisation to make other phone calls than internal ones directly from their phones, but they had to be ordered through the operator.

23. For an explanation of ‘what’ and ‘how’, please refer back to the previous section on these issues.

24. In this study, communication comprises substance as well as form, i.e. what is communicated and how. In addition, communication includes all ‘communication types’, i.e. written, verbal etc.

25. Weick (1995) considers expectations to be a type or form of belief. In this study, the term expectation is used.

26. Interviews conducted by other researchers and research assistants.
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## APPENDIX

**LIST OF INTERVIEWEES OF THE MERGER BETWEEN WÄRTSILÄ DIESEL AND NEW SULZER DIESEL, INDICATING MONTH AND YEAR OF INTERVIEW**

<table>
<thead>
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<th>Month</th>
<th>Year</th>
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