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# The effect of organizational identity change on integration approaches in acquisitions: the role of organizational dominance

Tian Wei

Fudan University, PR China

Jeremy Clegg

University of Leeds, UK

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# 1 INTRODUCTION

Acquisitions are often plagued by employee stress, dissatisfaction, and resistance (Greenwood *et al*., 1994), which arise from perceptions of inter-group differences (Jetten *et al*., 2002) and feelings of exclusion (Harwood & Ashleigh, 2005) and usually do not produce significant, positive returns (King *et al*., 2004). These negative perceptions and feelings seem to be caused by the same reason: members of the target firms feel that their organizational identity is endangered by the inculcation of a new organizational identify from the acquirer (Vieru & Rivard, 2014). A sense of discontinuity in the identity of the pre-acquisition organization may be detrimental to identity post-acquisition (van Knippenberg *et al*., 2002).

Social identity theory is a general theory of group processes and intergroup relations (Tajfel & Turner, 1986; Hogg & Abrams, 1988). The important assumption of this theory is that individuals perceive the social world in terms of social categories and that perceived membership in social categories can also contribute to the self-definition by individuals (Giessner *et al*., 2006). It has been taken as an approach to understanding the complexity and uncertainty of organizational identity change in acquisitions (Bartels *et al*., 2006; Elstak *et al*., 2015; Haunschild *et al*., 1994; Ullrich *et al*., 2005; Van Dick *et al*., 2004). After the acquisition, the new entity simultaneously incorporates one's former pre-acquisition group and the other group (acquisition partner) and, thus, implies a change in organizational identity and then forms a new organizational identity.

Interestingly, organizational identity change takes different forms for acquirers and target firms due to the differences in organizational dominance. With its dominant role, the acquirer is likely to be more influential in determining the shape of the new organization than the target firm (van Knippenberg *et al*., 2002). This makes the change from the pre-acquisition to the post-acquisition situation greater for employees of the target firm and poses a threat to the identity of members of this dominated organization (van Knippenberg *et al.*, 2002). Therefore, post-acquisition, organizational dominance plays a more important role for target firms than acquirers in determining the conformation of new organizational identity. However, how organization dominance affect post-acquisition remains unclear.

In post-acquisition, the newly formed organizational identity, which is determined by the winner in the competition for power after acquisition (Terry & Callan, 1998), serves as a guideline for leading managers' actions and decision making in relation to post-acquisition integration (Fox-Wolfgramm *et al*., 1998). An explicit understanding of their new positions greatly helps to develop integration approaches. Examining integration approaches in various contexts of organizational dominance advances the understanding of organizational identity change process after acquisition, which is a lack of sufficient research to provide a complete picture. Specifically, how organizational identity change leads to different patterns of integration approach is still underexplored. Our research question then becomes: "*how does organizational dominance affect organizational identity change and thereby shape integration approaches?*" Four cases were selected to explore organizational identity change post-acquisition from the same industry: the medical technology (MT) industry. In order to conduct a comparative analysis, our selected cases fall into two contrasting categories: cases with high- and low-dominated target firms.

Our study contributes to the literature in three aspects. First, using social identity theory, we identified two distinct effects of organizational dominance on organizational identity change: multi-level resistance in situations of high dominance and power struggles for those of low dominance. These two effects provide insights on the role of organizational dominance post-acquisition. Second, we contribute to the acquisition literature on integration approaches by indicating the effects of organizational identity change. We found that acquirers must have philosophical assimilation and structural amalgamation to achieve a unique and unified organizational identity. Interestingly, due to the two distinct effects of organizational dominance, the new organizational identity does have differences, with organizational identity loss in cases of high organizational dominance and dominance by the power winner in cases of low organizational dominance. Third, this study contributes to the literature on the process of organizational identity change. In order to provide insights into the organizational identity change process, we have identified three distinct stages: forms of resistance, conformation of new organizational identity and integration approaches.

## 2 ORGANIZATIONAL IDENTITY CHANGE AND POST-ACQUISITION INTEGRATION

### 2.1 Organizational identity change in acquisitions

Organizational identity is a specific type of social identity "where the individual defines him or herself in terms of their membership in a particular organization" (Mael and Ashforth, 1992). Importantly, drawn from social identity theory, organizations are not fixed entities, but specify the contextual factors that determine which organization becomes self-defining for an organizational member and the strength to which it does so (Oakes, 1987; Ullrich & Dick, 2007). Thus, organizational identity change reflects changes in social situations and impacts on organizational members.

Acquisition has been considered to generate high levels of uncertainty, especially post-acquisition (Larsson & Finkelstein, 1999; Marks & Mirvis, 2001; Schweiger & DeNisi, 1991). These uncertainties make the organizational identity change during integration very complex (Angwin *et al*., 2014; Boen *et al*., 2006; Gleibs *et al*., 2010). Acquisition has a psychological impact on the employees and requires them to have a new organizational identity, especially those from the target firms (Van Knippenberg *et al*., 2002). In contrast to the effect on acquirers, this demand largely threatens the distinctiveness of the target firm's identity (Van Dick *et al*., 2006) and evokes identification problems among the acquired employees (Elstak *et al*., 2015). The change of organizational identity of target firms is therefore the focus of our study.

Most existing studies have examined the antecedents of organizational identification change post-acquisition. First, a group of scholars focuses on the antecedents of individual characteristics, such as the age and tenure of the organizational members, a sense of continuity, perception of justice, self-enhancement and the perceived external prestige of the unified firm (Bartels *et al*., 2006; Elstak *et al*., 2015; Gomes *et al*., 2015; Van Knippenberg et al., 2002). Second, another group of scholars has focused on identifying the different foci and organizational levels present in an acquisition. For example, it has been argued that the acquirer is dominant or is the acquiring force when emphasizing the superordinate identification (Gaertner *et al*., 1993; Mummendey & Wenzel, 1999). Third, organizational identity change has also been viewed from a process perspective (Clark *et al*., 2010; Empson, 2004; Gioia *et al*., 2013; Gleibs *et al*., 2008). One of the most important studies is a grounded theoretical model of organizational identity formation process (Gioia *et al*., 2010). However, the organizational identity change process is still underexplored in the context of acquisition.

**2.2 Organizational dominance and status in acquisitions**

In acquisitions, acquirers generally dominate target firms because they hold larger shares of the target firms. This difference in organizational dominance plays an important role in determining how organizational identity changes during the post-acquisition process (Terry & O'Brien, 2001; van Knippenberg *et al*., 2002). Due to their dominated role, target firms usually confront a potential identity loss and are more likely to protect their original identity post-acquisition (Amiot *et al*., 2007; Boen *et al*., 2006).

Importantly, it is necessary to differentiate between status and dominance within the acquisition. These two concepts are not the same and can even be independent of each other (van Knippenberg *et al*., 2002). Status difference can be identified by comparing acquirers and target firms before the acquisition. However, dominance has a more specific and limited meaning than status (van Knippenberg *et al*., 2002). It is defined as the power relations within the unified organization after the acquisition (Fajak & Haslam, 1998; Giessner *et al*., 2006). As such, dominance and status may be independent to some extent, and there are situations in which target firms (dominated organizations) may be the higher-status group (e.g., when a large corporation acquires a prestigious firm in a niche market).

After the acquisition, power from the dominated organization (acquirer) has the connotation of deliberate influence on post-acquisition integration, which is the context of organizational identity change. Besides, status is an indicator in pre-acquisition. It is often adopted to signal and perpetuate the positions of acquirer and target firms after the acquisition, but is not studied as a direct variable in post-acquisition (Chandler *et al*., 2013; Jensen & Roy, 2008; Podolny, 2005; Shipilov, Li, & Greve, 2011). Therefore, as our study focuses on the organizational change and integration approach in post-acquisition, we use the term "organizational dominance" rather than "status" to explore the changes in the organizational identity of target firms.

**2.3 Integration approaches post-acquisition**

Post-acquisition, the organizational dominance of the acquirer over the target firm influences organizational identity change, and thereby integration approaches, which refer to the activities conducted to unify the two organizations. It is a key determinant of acquisition performance (Haspeslagh & Jemison, 1991).

Existing studies indicate that perceived organizational dominance affects integration approaches (Giessner *et al*., 2006). We argue that organizational dominance affects organizational identity change, which is a prerequisite of integration approach in post-acquisition. First, from social identity theory, at the beginning of the post-acquisition, acquirers and target firms actually strive for power and compete to optimize their position in the new organization (Terry & Callan, 1998; Terry & O'Brien, 2001). It is reasonable to infer that the winner in the competition for power plays a key role in managing post-acquisition integration. Second, integration approach is developed under the expectation of whether their pre-acquisition identity is well-presented after the acquisition (Gleibs *et al*., 2010). The emerged new organizational identity makes organizational members of acquirer and target firm clear about their status (Mottola *et al*., 1997). An explicit understanding of their new positions greatly helps to develop integration approaches. Third, organizational identity serves to guide leading managers' actions and decision making in relation to post-acquisition integration (Fox-Wolfgramm *et al*., 1998). Different established new organizational identity is able to invoke different resistance patterns at the beginning of the acquisition and, thus, lead to multiform integration approaches. Therefore, the new organizational identity after the acquisition naturally becomes a prerequisite for the integration approach.

However, existing research mainly focuses on integration approach without considering the effects of organizational identity change. For example, integration approaches are mostly viewed on the basis of strategic interdependence from resource sharing and knowledge transfer (King *et al*., 2008) and organizational autonomy from the view of organizational culture (Eschen and Bresser, 2005) and top management styles from organizational fit (Datta, 1991). Broadly, according to these views, these activities fall into two groups: “task integration” and “human integration” (Birkinshaw *et al*., 2000). Haspeslagh and Jemison (1991) further developed a capabilities-based contingency framework for three integration approaches: preservation, absorption, and symbiosis, which are integrated in a post-acquisition integration matrix (Weber *et al*., 2009). Absorption and symbiosis have a high level of strategic interdependence while preservation has a low level of strategic interdependence. Further, transformation approach has been identified as an important subset of symbiotic approach (Ellis and Lamont, 2004). Operationally, five basic integration approaches have been developed to provide further details: absorption, assimilation, preservation, best of both, and transformation (Marks and Mirvis, 2000). These five integration approaches were then integrated with a graphical depiction of their overlaps (Ellis, 2004). More recently, a framework is developed on the basis of knowledge transfer and level of autonomy to illustrate five integration approaches: intensive care, preservation, absorption, symbiosis and re-orientation (Angwin & Meadow, 2015).

In our study, integration approach is analyzed as the consequential to new organizational identity, which is the result of organizational identity change. We argue that organizational dominance affects organizational identity change. High and low organizational dominance invokes different forms of resistance and leads to various conformation of new organizational identity, which is a prerequisite of integration approach in post-acquisition. Our study focuses on how organizational identity change affects the integration approaches when acquiring target firms with relatively high or low organizational dominance. We aim to investigate the underlying mechanism to open the "black box" of shaping integration approaches from a social identity theory perspective.

## 3 CASE STUDY METHOD

### 3.1 Theoretical sampling

Case selection is performed on the basis of a critical case sampling approach to select a critical industry to explore answers to our research question (Patton, 2002; Yin, 2009). The medical technology (MT) industry is selected for two reasons. First, the competition in this industry is relatively more intensive than that in other industries[1]. The volume of the acquisition is large and therefore provides a large pool for selecting cases with different degrees of relative power between acquirers and target firms. Second, due to technology barriers, the acquisition premium in this industry is relatively higher than that in other industries[2]. Acquirers tend to be more aggressive in post-acquisition integration with the aim of achieving a rapid return on investment. More integration activities are expected, and employees of target firms are under high pressure to adapt to these intensive changes. Organizational identity change becomes more visible in the medical technology industry than in other industries.

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[1] Deloitte: M&A trend report, 2015

[2] EY- Pulse: medical technology report, 2015

With respect to capturing critical features of the MT industry, all of the cases are selected from three major industrial sectors (i.e., surgical and medical instruments, orthopedic devices and hospital supplies, and electromedical equipment), which account for more than eighty percent of the market (United States International Trade Commission (USITC), 2007). Although these industrial sectors provide distinct products, they share similar value chains and face the same institutional environment, which both heavily affect the operations of a firm. Therefore, selecting cases from these three industrial sectors not only satisfies the coverage of critical features of an industry but also maintains the similarities between the cases for comparison in the case analysis.

Finally, our study aims to explore the integration of target firms by acquirers with low and high relative dominant power. Therefore, the number of selected cases with low and high relative power should be equal. In each case, we asked the informants about their assessment of the degree of dominance over the acquired business. Generally, informants described high-level dominance by referring to the acquisition as “small”, “quick”, and “aggressive”. In contrast, low-level dominance is always associated with “big”, “slow”, and “negotiate” in their descriptions.

With the three criteria of our case sampling, we continue our case selection and case analysis until we reach research maturity, which refers to a situation in which the data collection becomes exhaustive and the emergence of key concepts becomes repetitive. Normally, four to ten cases are understood to be typical (Eisenhardt, 1989). In our study, the unit of analysis is an acquisition case. In total, four cases were selected, with details are illustrated in Table 1.

Insert Table 1 here

### 3.2 Data collection

Data were collected from a variety of sources, including semi-structured interviews, archival data, and field visits (Table 2).

Insert Table 2 here

*Semi-structured interviews* were conducted together with field visits as the primary approach to data collection. In each case, we first collected data from executives who had direct experience with the acquisition, such as directors of business development, directors of product management (integration leader), and/or corporate finance directors. After capturing the main strategies and implementation information for each case, we then conducted further data from senior managers to access details and confirm the arguments of executives. Before each face-to-face interview, the interview protocol was sent to the informant to help them to understand and prepare for the interview. A quick telephone interview (less than 15 minutes) was also conducted to increase our familiarity with the informant and to confirm the appointment. Each face-to-face interview lasted almost two hours. During the interviews, for each of the assertions made, the informants were asked to provide evidence to support their judgments. After that, a case report was developed based on the transcripts and sent to the informant to check its accuracy. Based on the double-checked case report, we developed further interview questions in light of our research question and then sent them to the informants to request another face-to-face interview or telephone interview. Case data were collected on the motivation behind the acquisition, the due diligence process, integration activities, and, specifically, organizational identity considerations.

*Archival data* were collected for each case from internal documents, third-party publications, and firm annual reports. They form the basis for understanding the business of the case firm and refining the interview questions. They also help to validate the data collected from the interviews. Some of the details in archival data are provided as validation in Section 4.

### 3.3 Data analysis

Our data analysis followed an inductive, thematic analysis (Miles & Huberman, 1994) to find evidence from information-based linkages and identify the patterns (Figure 1). In forming code categories, we focused on accounts of events and actions that generated conceptual distinctions (Lamont and Molnar, 2002). We triangulated various sources of data, including semi-structured interviews and archival data, to identify the emerging categories, which constitute potential first-order constructs. In order to improve the robustness of the data analysis, the first author and two outside coders with considerable qualitative research experience worked independently to categorize the data. Reliability was guaranteed by a high inter-coder agreement rate (k=0.86). Disagreements on the coding of transcripts or code definitions were resolved through discussion and negotiation (Denzin and Lincoln, 2011; Miles and Huberman, 1994).

Insert Figure 1 here

The next phase involved clustering the first-order constructs into more theoretical and abstract themes. Our data analysis moved from open to axial coding (Strauss and Corbin, 2007). These themes helped us to further clarify the nature of the organizational identity change and integration approaches and served as a kind of typology (Vaara, 2003).

In the third phase, we explored the dimensions underlying these theoretical themes. During the analysis, we paid attention to the aggregation between themes and dimensions to improve the reliability and, in particular, expanded our focus to interpret the relationships between the identified dimensions. These relationships and dimensions build up a foundation for developing an integrated framework, which is shared with colleagues and key informants from case companies, whose comments and criticisms refined our interpretations and contributed to our final framework.

## 4 ORGANIZATIONAL IDENTITY CHANGE IN SHAPING INTEGRATION APPROACHES

As the basis of our analysis, we first categorize selected cases into two groups: high and low organizational dominance. By definition, dominance denotes the different modes of integration that define power relations within the new organization (Giessner *et al*., 2006; Malekzadeh & Nahavandi, 1990). Therefore, by implication, high organizational dominance indicates that the acquirer is absolutely dominant and much more powerful post-acquisition. Generally, in this category, compared with target firms, acquirers are much larger or older firms, with a higher market position before the acquisition. In contrast, a low organizational dominance indicates that that acquirer does not have absolute dominate and control post-acquisition. In this category, acquirers and target firms are relatively similar in size, age, and market position before the acquisition. In order to further confirm our categorization, during the interviews, we asked our informants whether the acquirer was absolutely dominant post-acquisition. According to their responses, Cases A and C have high-level organizational dominance, while Cases B and D have low-level organizational dominance. We illustrate data exemplars, which are not in the narratives for each theme in Table 3.

Insert Table 3

## 4.1 Stage 1: forms of resistance under two distinct roles of organizational dominance

Immediately after acquisition, acquirers face resistance in establishing new organizational identity. Both acquirer and target firm are threatened with changing their prior organizational identity. From our case data, we have identified two forms of resistance in post-acquisition: multi-level resistance in the context of high organizational dominance, and power struggles in the context of low organizational dominance.

### *4.1.1 Multi-level resistance: forms of resistance in cases with high organizational dominance*

In the context of high organizational dominance, acquirers face pressure from organizational identity change in the form of multi-level resistance, which consists of two levels: 1) acquired executives and 2) acquired employees.

The resistance of acquired executives has a variety of reasons, including "the acceptance of a new position of acquired executives", "retaining valuable senior people", and "managing the relationship with acquired executives." In Case A, the executives of Target A were first willing to be acquired but suddenly found out that they could not get used to their new positions, which generally had much less power associated with them than the ones they had before. This change of power made these executives feel that they did not belong to the post-acquisition firm, and they left the firm with dissatisfaction.

Acquirers also face pressure to retain some of the senior people who are critically important to the future development of the acquired business. The significance of these seniors was described by the Director of Business Development of Company A as follows: "They knew their business quite well…Our board saw that there is lots of value in the senior people." However, he also stated the difficulties associated with retaining them: "Pre-acquisition limits our familiarity with senior people. You have to be very careful to see if they are fit. It often doesn't work. So the retention of senior managers doesn't work well."

The resistance of acquired employees refers to the quotes on the "defensiveness of acquired employees" and the "momentum of acquired employees." For example, in acquiring Target A, Company A faces strong defensiveness during their integration, so "the defensiveness of existing staff comes into play because, in the past, the company we acquired was our competitor." The acquired staff cannot easily conform their identity to the new organization. Even worse, the momentum of acquired employees is largely reduced for salespeople, “The local salespeople, when they are a little independent [before the acquisition], they are much more aggressive to get sales and prices than they were in our company. We didn’t expect this phenomenon.” The due diligence report of Company A stated that a primary synergy source improved channels to the market. The conflicts for salespeople were not predicted before the acquisition. After the acquisition, the acquired employees became less motivated in their daily work.

Company C faced a similar situation when acquiring Target C. They knew that some acquired employees would leave automatically due to their dissatisfaction with the employees of Company C. The potential change of organizational identity was not accepted by the acquired employees. The Director of Strategic Programs reflected, “We knew that some of Target C’s people would leave. We knew that they wouldn’t want to deal with our people. Some our people don’t want to deal with them. We are from different companies.”

*4.1.2 Power struggles: forms of resistance in cases with low organizational dominance*

In the context of low-level organizational dominance, acquirers face pressure from organizational identity in the form of power struggles, which indicates the resistance from the power of the acquired executives and their followers, but not in a multi-level form.

From Case B and Case D, we identified that acquired employees resist the acquirer together with their leaders (acquired executives) but not separately, as is the case in high organizational dominance. The Director of Strategic Programs of Company D candidly stated that the usually underestimated integration cost – power struggles:

> "But if you talk about bigger acquisitions, there is a problem of power struggles…somebody who is running a bigger organization thinks he will have a bigger job. In the acquiring company, they say, 'No. That is not part of our plan. We don't need you.' And for that person, he usually has a team around him. So they all go."

This argument is further confirmed by archival data that Company D did not acquire any target firm with a strong market position after 2004. Actually, for Case D, from the internal documents, all the acquired executives except for this informant left within two years after the acquisition.

*Proposition 1: Organizational dominance plays two distinct roles in organizational identity change after acquisition by evoking multi-level resistance in cases of high organizational dominance and power struggles in cases of low organizational dominance.*

**4.2 Stage 2: conformation of new organizational identity**

In the process of resistance, acquirers and target firms both strive to optimize their position in the unified organization (Terry, 2001). This striving for power plays an important role in the beginning of the acquisition and influences the organizational identity of employees from acquirers and target firms. The winner in the competition for power obtains the right to establish the new organizational identity. From our data, four approaches in shaping new organizational identity emerge: philosophical assimilation, structure amalgamation, dominance of power winner, and organizational identity loss.

*4.2.1 Philosophical assimilation and structural amalgamation: a commonality of new organizational identity*

Through analyzing our data, we identified that all cases have a similar pattern in forming new organizational identity after acquisition: 1) philosophical assimilation and 2) structural amalgamation. In this study, organizational philosophy refers to the organization's vision, value, beliefs and habits (Pugh, 1990). Philosophical assimilation indicates that the philosophy of target firms should be assimilated to that of acquirers. In Case A, Company A faced a reduction in the target's sales after the acquisition because of conflicts associated with assimilating the organizational philosophy. A sales manager from Target A candidly reflected, "as a small firm, we did not have the same policy in sales, for example, waiting for a long time for a new product but not quickly adapting to customer needs with new products. Even now, we cannot get used to this policy".

Low organizational dominance also requires the assimilation of the organizational philosophy of the acquirer. When identification conflicts arise, the acquired business is requested to switch their identification to the acquirer. The Director of Product Management of Company C stated, "The company [target firm] grows up and works in a particular way. You then have to take that and put that together with us. We should make them to feel that they are part of us."

As an underlying supporting system, organizational structure is defined as how activities such as task allocation, coordination and supervision are directed towards the achievement of the organizational aims (Pugh, 1990). The organizational structure represents the "operating system" and "company structure." Structural amalgamation refers to the combination of the organizational structures of acquirers and target firms. In our study, all the acquirers require the firm to adapt to its structure. For example, after the acquisition, Company B asked Target B to improve the quality control system in order to satisfy customers more effectively, as Company B had a rule of "Beyond complaints." From their internal documents, Company B forced Target B to accept and comply with its operating system, which evoked strong resistance from acquired employees in the function of customer service.

In low organizational dominance, the adoption of the acquirer's organizational structure is also essential and indispensable. An R&D manager from Target A stated, "We now have to report to multiple leaders, and it is very time consuming. Our focus on developing new products is distracted". This argument was also reinforced by the Director of Strategic Programs of Company C,

> "When we started to change them, everything went wrong. People did not do anything because most people fear that they will move down the office and are afraid to do something completely different. So whether the accounting system is any better or not, they are comfortable with the system they use. But we have to change it to our accounting system."

*Proposition 2a: Post-acquisition, the conformation of new organizational identity involves both philosophical assimilation and structural amalgamation in cases of high* *and low organizational dominance.*

*4.2.2 Organizational identity loss: a compromise for high organizational dominance*

Variances also exist in the contrasting contexts of organizational dominance. In cases of high organizational dominance, the organizational identity of target firms disappears after acquisition. Organizational identity loss is represented by "brand reduction", "low motivation of maintenance", and "compulsive organizational identification".

Both Targets A and C conform their organizational identities to those of their acquirers. For example, from the website of Company C, after the acquisition, the brand of Target C did not exist. Case C confronted the compliance issue, which is quite unique in the MT industry and refers to a situation in which a MT company pays surgeons to sell their products in any shape or form. Company C sent Target C to court and reduced its purchasing price. Due to this legal event, the employees of Target C had no reason to maintain their previous organizational identity.

Similarly, in Case A, after the acquisition, Company A had absolute power over Target A. The brand of Target A also disappeared, even though it was kept for a long time after the acquisition. A product manager of Company A commented on the identity of Target C after the acquisition,

> "We kept their brand [Target A] for a very long time because they sold through lots of people…But the maintenance brought lots of trouble to make Target A a part of us but not an independent firm…After three years, we changed their brand."

*4.2.3 Dominance by power winner: a power game for low-level organizational dominance*

In contrast, the organizational identity of a target firm takes an active role in integration in cases of low organizational dominance. Power conflicts and its influence are represented by "power competition", "leave of acquired executives", and "compromises of two businesses".

In both Cases B and D, the development of integration approaches relies on the winner of the power struggle in the post-acquisition stage. Even with a subordinate role, target firm may have strong power due to its large size, at least in specific areas or regions. For example, before acquisition, Even though Company B is a large multinational corporation, it was a small player in the orthopedics sector, with products only related to knees, but not to hips, the spine, trauma or sports medicine. In contrast, Target B conducted a series of acquisitions to build up a full line of orthopedic products and a large geographical footprint. A power struggle took place in most parts of the business after acquisition. The new approach to running the business is decided by who wins the power game. The Vice President of Global Concept Development of Company B reflected,

> "There were lots of identification barriers between the two companies. In certain countries, one company wins, but in other countries, the other company wins…Basically, marketing became very Target B-dominated everywhere in the world…So the marketing structure and methods became Target B's marketing structure and methods."

In Case D, Target D is a global manufacturer and marketer to sell more than 75 countries through a global sales force and distribution network. Company D aims to acquire safety sector products through the acquisition of Target D. If purely from its own benefits, Company D should preserve the safety products and their related businesses only after the acquisition. However, the integration did not proceed as expected.

> "Some of the damages were particularly to the US company. So much damage is caused by the power struggle. We shut down their main headquarters building in California. A general consolidation of the sales force – but with distributors, it is more difficult. Sometimes, we used their distributors."

*Proposition 2b: Post-acquisition, the conformation of new organizational identity involves organizational identity loss in cases with high organizational dominance but dominance by power winner in cases with low organizational dominance.*

**4.3 Stage 3: integration approaches**

New organizational identity serves to guide leading managers' actions and decision making to develop integration approaches. We have explored three distinct integration approaches from our case data: absorption, rationalization, and symbiosis. It transpires that absorption and symbiosis are in the category of high level of strategic interdependence, while rationalization is in the category of low level of strategic interdependence.

*4.3.1 Absorption (high-level of strategic interdependence): integration approaches* *under philosophical assimilation and structural amalgamation*

In all the cases in our study, target firms are fully absorbed by acquirers from the perspective of organizational philosophy and structure to create an integrated image to both employees and customers. Absorption is reflected by "managerial integration", "value agreement", and "system and policy imposition".

For example, in Case A, the director of product management of Company A described the company's activities to reflect their actions under assimilation of target firm's organizational philosophy to that of acquirer after the acquisition, "We did a lot on staff dialogues and welcome packs and parties to integrate them. In the first phase of finance policy, taking destroyed accounts, invoice and treasury policies, we implement straight away. We converted all the marketing and sales material into our material. We worked to transfer product line and get them registered. We imposed our product creation process because both have very active R&D groups. So we impose our standards policies for product creation." These activities were further confirmed by a post-acquisition memorandum.

Similarly, in Case B, the vice president of strategic projects of Company B described activities towards the assimilation of culture to force Target B to follow "Beyond complaints" culture. His statements are evidenced by the news of launching a new and more reliable product that provides better service to customers three years later, while the most recent new product of Target B was developed twelve years earlier.

*Proposition 3a: Post-acquisition, the integration approach under philosophical assimilation and structural amalgamation is absorption, with the goal of creating an* *integrated image in cases of high and low organizational dominance.*

*4.3.2 Rationalization (low level of strategic interdependence): integration approaches under organizational identity loss*

In this context, the organizational identity of the target firm does not exist post-acquisition, and therefore, integration approaches are developed purely by the acquirer. From our data, we cannot identify any effects from the target firm on integration approaches.

In the case of high organizational dominance (Cases A and C), besides absorption from the perspective of philosophical assimilation and structural amalgamation, integration approaches tend to be developed based on a rational consideration from the perspective of acquirers, without concern for the target firm's demands. In the post-acquisition stage, integration approaches tend to be rational from the acquisition motives (such as, "good-enough design", "innovation teams", "production know-how" and "direct sales.") by removing duplications of resources but preserving complementary resources.

In Case A, Company A has an objective to acquire Target A's products to complete its product portfolio to access the fastest growing, more profitable focus areas. Company A retained only the acquired products and product-related businesses, while they removed all the other acquired functions. This is evident from the existing products on the website of Company A.

Similarly, in Case C, the two firms are similar in terms of products (in the orthopedics field) but complementary in terms of sales channels. The market for Target C is primarily in Europe, but it spans Asia. After the acquisition, Company C made huge efforts to maintain the acquired market in mainland Europe. In order to ensure that Target C continuously serves its market, Company C also retained the manufacturing sites, which still existed in its annual report in 2015.

*Proposition 3b: Post-acquisition, the integration approach under organizational identity loss is rationalization to pursue all the acquisition motives in high organizational dominance.*

*4.3.3 Symbiosis (High-level of strategic interdependence): integration approaches under dominance of the power winner*

In cases of low organizational dominance, target firms are able to take a lead role in integration in some areas after winning a power struggle. The integration approach tends to be symbiotic under the control of the power winner and conforms to the winner's identity.

Besides the absorption from the perspective of philosophical assimilation and structural amalgamation, the integration approaches in each specific area tend to be developed by either acquirers or target firms, depending on who wins power struggles. The primary aim is to reduce integration costs from the strong resistance power from target firms (such as "successful employee retention", "large costs and risks", and "alternative existence of acquirer and target firm").

In Case B, due to the strong presence of Target B in the product portfolio and market, Company B would like to retain acquired employees to maintain these strengths. The vice president of strategic projects of Company B reflected on the integration of marketing post-acquisition: "Basically, marketing became dominated by Target B everywhere in the world because they are a bigger business. Their image is very impressive, so their brands have been kept."

Similarly, in Case D, a product manager described the integration of R&D post-acquisition, "The acquired R&D was left as it was because their expertise is much more powerful than ours. They also helped us to develop an R&D center in Europe to get close to the European market." Additionally, the director of strategic programs also articulated the symbiotic phenomenon of customer service.

*Proposition 3c: Post-acquisition, the integration approach under the dominance of the power winner is symbiosis to maintain distinctiveness in cases of low organizational dominance.*

### 4.4 An integrated framework of organizational identity change's role in shaping integration approaches

Theoretical development must specify not only the constituent constructs but also the linkages or relationships among those constructs when describing a phenomenon (Dubin, 1978). By assimilating the dimensions and themes displayed in Figure 1, in combination with the narrative of the findings to this point, an integrated framework that suggests how organizational identity change shapes integration approaches becomes apparent (Figure 2).

Insert Figure 2 here

The rationale of the linkages of these three stages is as follows. First, organizational identity change leads to resistance of both acquirer and target firm. In the context of high and low organizational dominance, organizational identity change invokes different forms of resistance in the process of organizational identity change due to the competition for power between acquirer and target firm after the acquisition (Gleibs *et al.*, 2013). Second, after a period of resistance, the winner in the competition for power establishes the new identity of the unified organization in post-acquisition (Gleibs *et al*., 2010). The conformation of new organizational identity emerges in four patterns in our case data: philosophical assimilation, structure amalgamation, dominance of power winner, and organizational identity loss. Third, after it conforms, the new organizational identity serves to guide leading managers' actions and decision making in relation to post-acquisition integration (Fox-Wolfgramm *et al*., 1998).

In cases of high organizational dominance by the acquirer over the acquired firm, the form of resistance in the acquired can be theorized to appear at multiple levels: executives and employees have different ways of resisting the acquirer's policies and structures due to their distinct manifestations of dissatisfaction with the changes in organizational identification. In contrast, in cases of low organizational dominance by the acquirer, the acquired executives and employees tend to collaborate after the acquisition as they share a common future in the acquired organization, are already socialized and, thus, share an identity. As a result, their defensiveness is more strategic in its design and therefore has a much stronger influence over the new unified organization. Multi-level resistance does not exist in this context, as employees exhibit greater identification with their leaders and believe they can secure gains from them. Any resistance arising in this context is strategic, and routed through the leaders of the acquired firm, taking the form of a power struggle.

No matter what the integration approach adopted by the acquirer, acquisition involves combining the two firms into a single legal structure, through which the target firm's value is assimilated into the whole. Otherwise, the acquired business will not identify with the mission of the acquirer, and the two organizations will be legally separated, which cannot be possible after acquisition. It does not necessarily mean that acquirers and target firms compete. We have further identified that the integration approach from this perspective is absorption, which is in a high level of strategic interdependence, with the aim of creating an integrated image.

We can further reason that integration approaches conform to variation driven by multi-level resistance and power struggles in cases of high and low organizational dominance, respectively. In high organizational dominance, there being no strategic discourse (i.e., a low level of strategic interdependence) between the acquired and the acquirer during the post-acquisition period, integration approaches are purely developed by the acquirer to unify the two organizations based on its acquisition motivation. In contrast, in cases of low organizational dominance, due to the low power gradient across firms, the target firm does not always follow the instructions of the acquirer. If the target firm's power is strong enough, it can force the acquirer to change, or compromise on its plans. Therefore, when acquiring a large target firm, the victor in redressing the power balance takes a greater role in integrating the two organizations. The integration approach tends to be symbiotic with a high level of strategic interdependence and maintains the distinctiveness of both the acquirer and target firms.

**5 DISCUSSION**

**5.1 Theoretical implications**

Past work on organizational identity has focused on organizational identity change in acquisitions (e.g., Brickson, 2013; Cooper & Thatcher, 2010; Elstak *et al*., 2015; Vignoles *et al*., 2006). There has been a dearth of studies on how organizational identity change affects integration approaches in acquisition. We argue that high and low organizational dominance invokes different forms of resistance and leads to distinct patterns of conformation within new organizational identity. The fixing of the new organizational identity, as noted above, is a prerequisite of integration approach employed in post-acquisition. In our study, we attempt to unlock the process of organizational identity change in shaping integration approaches. Particularly, we pay attention to the role of organizational dominance in affecting the change of organizational identity and subsequent integration approaches.

First, our study contributes to the understanding of the role of organizational dominance post-acquisition. Prior studies focus mostly on the threat to target firms in terms of identity loss after acquisition (Boen *et al*., 2006; Terry & O'Brien, 2001; van Knippenberg *et al*., 2002). However, how organizational dominance affects organizational identity change within target firms to date remains unclear. We identify two distinct effects of organizational dominance on organizational identity change: multi-level resistance in cases of high dominance and power struggles in cases of low dominance. In accordance with social identity theory, these two effects can be recognized as prerequisites for organizational identity change and for integration approach development.

Second, we contribute to the acquisition literature on integration approaches by indicating the effects of organizational identity change. Integration approaches reflect the underlying mechanism and have received considerable attention in post-acquisition studies (Haspeslagh & Jemison, 1991; Katila & Ahuja, 2002; Marks & Mirvis, 2000). Generally, integration approaches include preservation, absorption, symbiosis, transformation, assimilation, and best of both (Haspeslagh & Jemison, 1991; Marks & Mirvis, 2000). However, the prerequisites for selecting each approach have seldom been explored in association with organizational identity change. In this study, using principles of social identity theory, acquirers must have philosophical assimilation and structural amalgamation to achieve a unique philosophical identification and unified legal structure through absorption, a high level of strategic interdependence. We then theorize two contrasting categories of organizational dominance, each with distinct effects. In the case of high organizational dominance, the target firm completely loses its organizational identity after acquisition and acquirers develop integration approaches through rationalization, a low level of strategic interdependence, to achieve acquisition motives. In contrast, in cases of low organizational dominance, the integration approach develops from the outcome a power struggle, and is theorized to be symbiosis across the organization, with a high level of strategic interdependence.

Third, this study contributes to the process of organizational identity change. Organizational identity change throughout the integration process has attracted great attention from scholars (Nag *et al*., 2007; Nag & Gioia, 2012; Vaara, 2003). Although not focusing on organizational identity change in general, our study does clarify the role of organizational dominance in affecting organizational identity change and in shaping subsequent integration approaches. We have identified three distinct stages in the integration process: forms of resistance, conformation of new organizational identity, and the development of the integration approach. These three stages show how organizational dominance affects the change in the organizational identity of the target firm, and a specific integration approach is developed under either type of new identity. This holistic view of the integration process – which emphasizes the role of organizational dominance – provides insights into the dynamics of organizational identity change and how these shape integration approaches. It advances existing knowledge by explicating how the relative power between acquirers and target firms affects the integration process.

**5.2 Practical implications**

While power struggles with the acquired leadership are more readily anticipated when the acquirer is in a less commanding position, the finding that high-level organizational dominance evokes multi-level resistance is more insidious, and may be less easy to address. Awareness that obstacles in target firms may be distributed at multiple levels, even once the leadership is decapitated, may enable the acquirer to prepare a more effective integration strategy. Our findings also suggest that integration approaches should be developed based on common bases and differences. For example, in post-acquisition, philosophical assimilation and structural amalgamation are necessary in both contexts. In cases of high dominance, the integration approach is determined by the acquisition motivation of the acquirer and executed through rationalization, with the target firms losing its original organizational identity. In contrast, when acquiring target firms where the acquirer-acquired power-gradient is lower, the integration approach is an outcome of determined by the reclamation of power in the acquired firm. The acquirer should prepare for changes to be made to their integration plan, as integration may be controlled by the target firm in some areas. Accordingly, the integration approach can be symbiotic, to preserve the distinctiveness of the target firm.

**5.3 Limitations and future research**

In this study, the nature and logic of decision-making and integration in the two contrasting contexts of organizational dominance are revealed from a social identity perspective. However, it is important to note, first, that the findings, because they are based on only four cases, cannot provide a robust validation of the framework, so further work is undoubtedly needed to provide more comprehensive evidence and details on the different contexts of acquisition.

Second, in practice, organizational dominance may take the form of firm size, firm age, market position, or reputation. Although all of them affect organizational dominance, they influence organizational change in different ways. These factors can be analyzed separately to provide a more comprehensive understanding of reality.

More interesting insights could be identified if real-life practice is better understood. Third, it should be acknowledged that the integration approach itself can also affect employee identification. For example, the integration approach determined by the top management of the acquiring firm will influence the level of identification of the employees from the acquired firm. In our study, we focus only on how the perceived organizational dominance affects integration approaches. In future research, scholars may study how the integration approach affects employee identification.

## 6 CONCLUSION

We conclude that organizational dominance is a theoretically important characteristic in the determination of organizational identity change and the development of subsequent integration approaches. Here, specifically, we focus on two contrasting post-acquisition contexts: high and low organizational dominance. We first identify the two distinct forms of resistance evoked by organizational dominance: multi-level resistance and power struggles, which are the prerequisites for developing integration approaches from the perspective of social identity theory.

Second, we explore the conformation of new organizational identity under these two forms of resistance. We might remark that, even with these different explanations, the various degree of organizational dominance does not always lead to different integration approaches. Philosophical assimilation and structural amalgamation are common to both contexts, and a high-level of strategic interdependence (absorption) is the relevant integration approach. However, the differences have also been investigated and connected to corresponding integration approaches.

Third, with social identity theory as a theoretical lens, we conclude that the integration process has three distinct phases: forms of resistance, conformation of new organizational identity change, and development of an integration approach. These three phases reflect the process of organizational change and its effects on shaping integration approaches, and provide a holistic view of the integration process for both scholars and practitioners.

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**Tables & Figures**

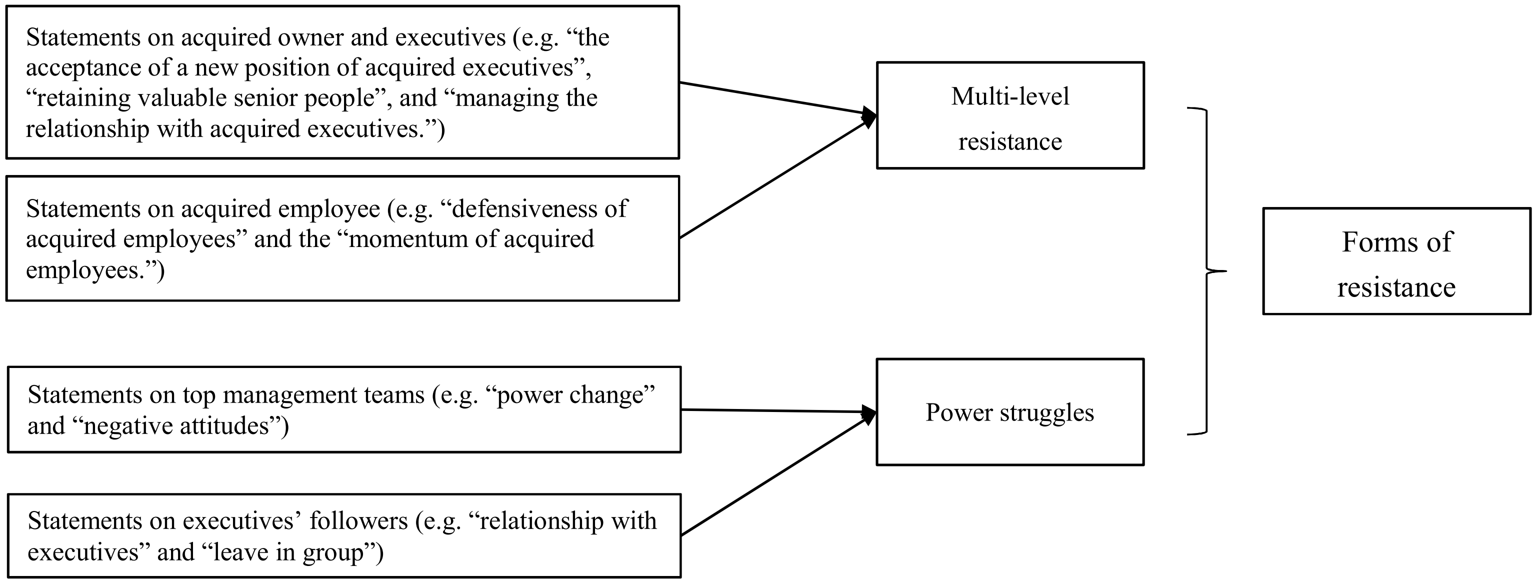


Figure 1 The structure of developing third-order dimensions

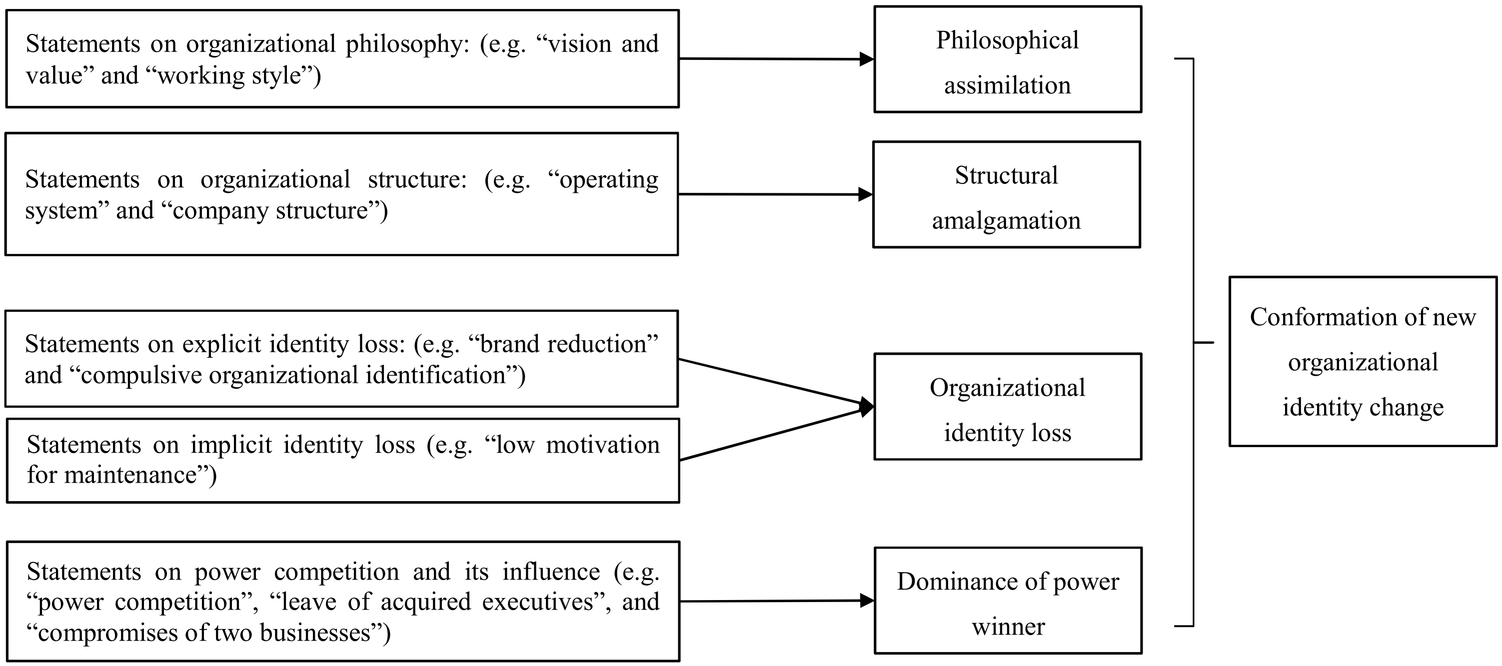


Figure 1 The structure of developing third-order dimensions (continued)

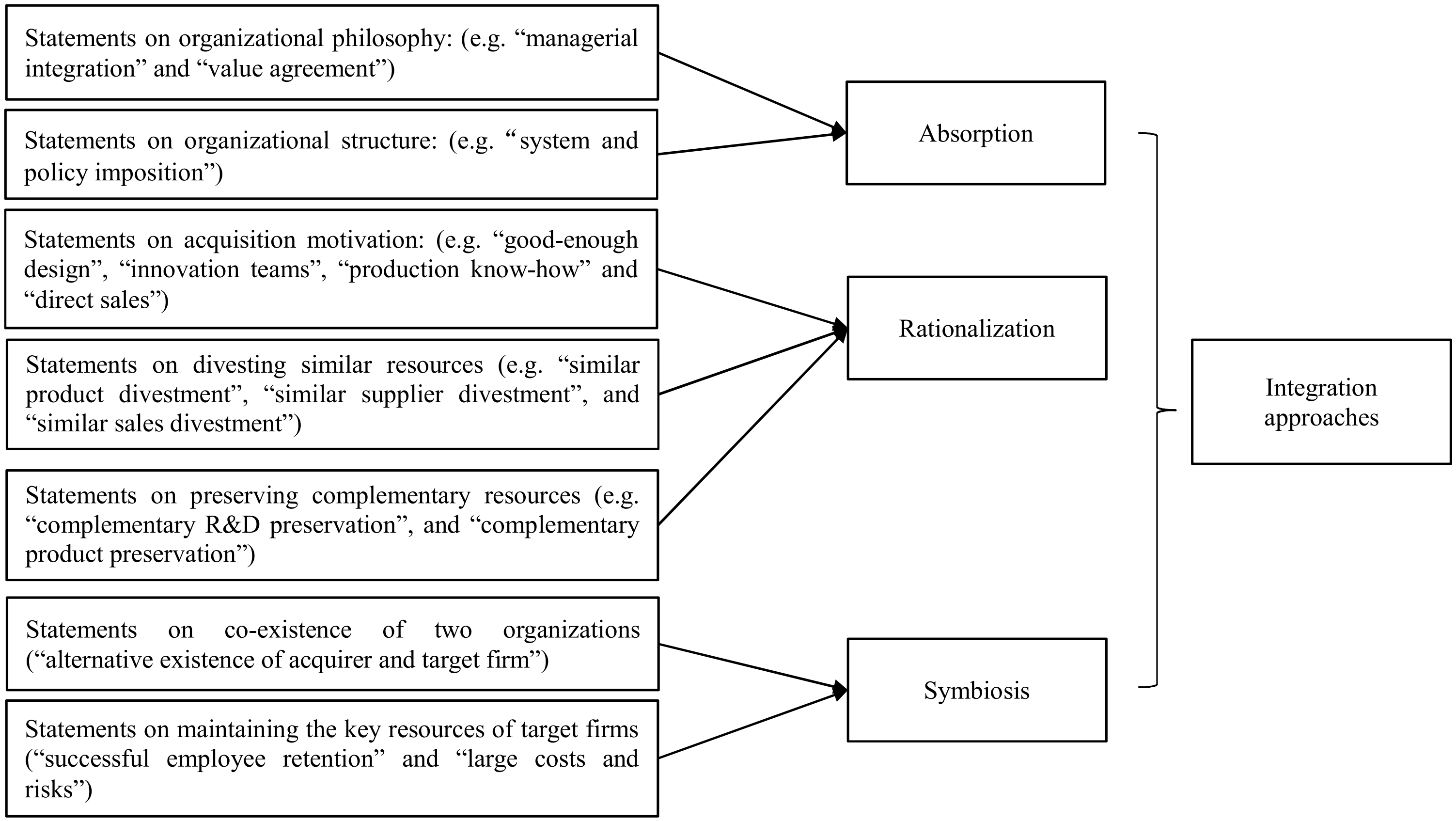


Figure 1 The structure of developing third-order dimensions (continued)

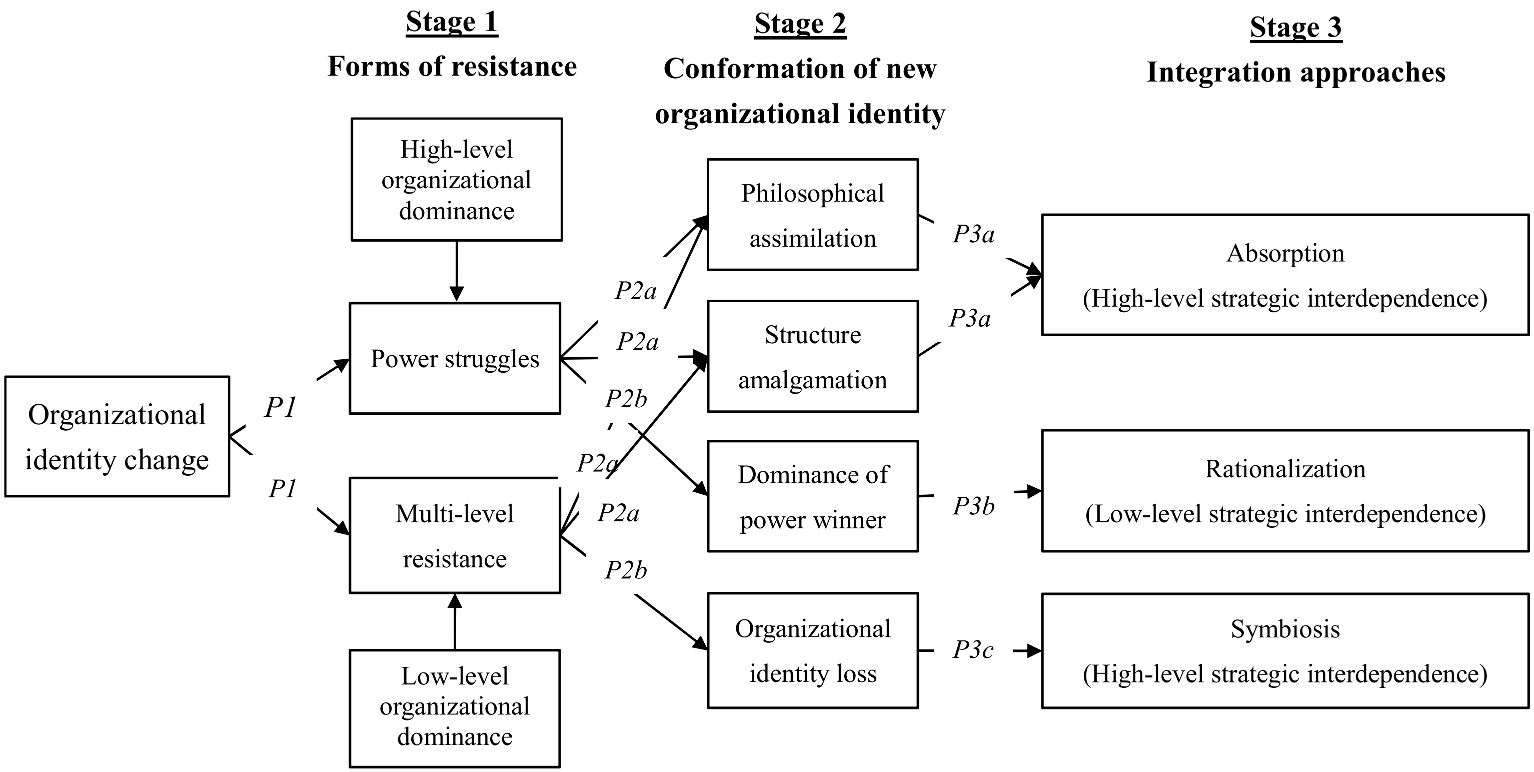


Figure 2 Organizational identity change in shaping integration approaches in post-acquisition

Table 1 Description of selected cases

| Case No. | Acquirer | Year of foundation | No. of employees | Target firm | Year of foundation | Number of employees | Region | Time of the deal | Sector |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Company A | 1972 | 2,000 | Target A1 | 1995 | 20 | Germany | Dec., 2005 | Radiotherapy |
| 2 | Company B | 1886 | 114,000[3] | Target B | 1895 | 5,300 | UK | July, 1998 | Orthopedics |
| 3 | Company C | 1856 | 10,000 | Target C | 2001 | 830 | Switzerland | Mar., 2007 | |
| 4 | Company D | 1940 | 7,500 | Target D | 2001 | 2000 | US | Dec.,2004 | Delivery system |

[3] Number of employees in total but not in the medical field.

Table 2 Data collection details for each case

| Case Firms | Data Collection methods | Interviewee | Mode of contact (hours) |
|---|---|---|---|
| Company A | Interview/Documentation/Archival data | Executives (Vice president in Research Development, Director in Strategic Projects | Face-to-face interview (5) Telephone interview (10) |
| | | Managers (Product, Sales) | Face-to-face interview (2) Telephone interview (1) |
| Company B | Interview/Archival data | Executives (Vice president in Global Concept Development, Director in Research) | Face-to-face interview (6) Telephone interview (9) |
| Company C | Interview/Archival data | Executives (Director in Strategic Programs, Director of Product Management) | Face-to-face interview (6) Telephone interview (9) |
| | | Managers (Product management, sales, supply chain) | Face-to-face interview (3) Telephone interview (2) |
| Company D | Interview/Documentation/Archival data | Executives (Corporate Finance Director, Director in Strategy & Business Development) | Face-to-face interview (3) Telephone interview (5) |
| | | Managers (Human resource, sales, R&D) | Face-to-face interview (3) Telephone interview (2) |

Table 3 Complementary data exemplars for each theme

| **First-order constructs** | **Illustrative quotes** |
|---|---|
| Multi-level resistance | "CEOs and managing directors become little managers. They are uncomfortable with the new salary and power…In X country, the previous CEO is now completely doing a job and moving sideways. We feel we are not needed by the company anymore…Our matrix organization, functions and products, which is very conventional. They are a small firm and their organization is quite flat. There is always a natural conflict." [Case A] |
| Power struggles | "A key reason is the power struggling after the acquisition, which can be very disruptive. We did more damage. Some of damages were particularly to the acquired business. So much identity damage from the power struggle." [Case D]<br>"When the two businesses come together, the two sales forces fight each other and compete for a long time… And they compete with each other even though they work for the same company. Basically, they are loyal to their own leaders." [Case B]<br>"Now, ten years have passed since the acquisition, and I am the only acquired executive who has not left. They all left for a variety of reasons, and in a group." [Case B] |
| Philosophical assimilation | "Unfortunately, we find out in some European countries, the former Target C's business was making payments to doctors not according to the guidelines. In some European countries, mainly Greece, but also certain parts of Europe. Obviously, as soon as we find that, we stopped the payments, and a lot of doctors went elsewhere." [Case C]<br>"Target B was very commercially aggressive, very short-term focused in the business objectives, and we had much longer-term |

| | |
|---|---|
| | objectives and were much more intellectual and analytical in terms of the approach to business...They [Target B] were changed to be long-term focused." [Case B] |
| Structural amalgamation | "If you run operating facilities of ours, you will have a health and safety environment audit every two years (using too much paper, waste of water, etc.). We adjusted their operations according to ours. These kinds of changes take time." [Case B]<br>"We have a culture of 'Beyond complaints,' so it doesn't mean that Target B has bad products. Actually, what happened was lots of changes were made for many years, including introducing management on the quality side (standards on the manufacturing site, etc.)." [Case B] |
| Dominance of power winner | "Target B was a much larger company with many manufacturing plants...We have one or two massive plants, and they have six or seven plants. The way Target B runs their plants is different from the way we run ours. Because Target B was a much bigger organization, only our plants disappeared." [Case B]<br>"We had a lot of big differences in distribution channels. We have a strategy of 'Just in time-overnight delivery' as a strategy for supplying most of the market in Europe. We did not hold any local stock. They have separate independent warehousing with different warehouses in each market. In the end, we have a mix…As a result, a number of countries continued our method. A number of countries with bigger business size, the local warehouse was maintained." [Case B]<br>"We had our suppliers before the deal, and they had their suppliers, we questioned if we could combine the suppliers to get a better price. Mixed decisions on sales channels. We both have direct sales in large territories and distributors in small countries. Sometimes, we used ours and kept theirs other times." [Case D] |

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| Organizational identity loss | "In the longer term, from months 4 to 12, we slowly imposed HR policies. We consolidated the quality system. We started to integrate them into our best practice team. A general corporate management structure gets involved in management development." [Case A]<br>"The other thing to clear is that a number of the former employees in the company who were involved or did not deal with the situation existed. We fired others. They are dishonest. We cannot keep them." [Case C] |
| Absorption | "In sales, we believe that direct sales are much better than independent distributors. They have to follow our value. So as part of the acquisition, a lot of work needs to be done to buy out these distributors. We bought a lot of distributors." [Case B]<br>"We forced them [Target B] to follow our "Beyond complaints" culture. These changes take time. We cannot say what they are doing is wrong. We are just bringing new changing rules." [Case B]<br>"We just notify our regulatory body that we have a new product. We formed the system before. In every case, we will do a scheduled audit. We will take that into an account. That's our strategy to say this is the requirement and it's the same as what we are doing. We did that." [Case A] |
| Rationalization | "There is little product overlap. Therefore, we transferred related product lines and kept their manufacturing sites and facilities for their complementary products…we put a lot of management in…then made overall sales and marketing, and imposed a basic management process with a consideration of their complementary products." [Case A]<br>"Most of these were clearly defined cases where we would remove duplication in either the head office functions, all back offices, sales channels and we knew the costs there to take out…We need all the production facilities. We now have their factory in Switzerland itself and our own factory in Germany. [Case C] |

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| Symbiotic | “So a huge amount of work in operations is to close down a number of facilities of ours and then to bring the facilities in Target B up to the level (the quality level of our standards). There were a huge amount to add, and the costs were huge.” [Case B]<br>“I typically left the R&D as it was in this case because their expertise is difficult to replace, so you try to keep it. Manufacturing remained. The technology is ours, highly automated equipment. It is difficult to move these machines and a lot of investment was put in. They are not easy to move. It is costly.” [Case D]<br>“Customer service is something we have developed. We share service centers. In some areas, these centers are ours, while in other areas, they are theirs. We are going to create centers in the US and a center in Europe. But that has been a general move of the business, not necessarily from the acquisition.” [Case D] |