Integration process of cross-border acquisitions: an intercultural negotiation and communication perspective

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Abstract: High failure rates of acquisitions are often due to company managers systematically overlooking the major cultural and organizational complexities involved in integrating the merging firms' operations and informal networks. This article explores the communicative events at play during the integration phase of a cross-border acquisition. Specifically the question is "what happens when the staff of two companies - the acquired and the acquirer - start to interact as part of the same organization and how do they negotiate issues of knowledge sharing and control"? The focus is on intercultural communication aspects embedded in the particular business context. The integration process of the acquired company is viewed as a negotiation process in a business setting where the control mechanism and procedures as well as access to knowledge and know-how are negotiated between the acquirer and the acquired.

A classification of instances of miscommunication in intercultural negotiations was designed by combining the findings of research led in the fields of international business, communication and linguistics. Different levels of miscommunications were identified, following a particular hierarchy.

A Finnish-French acquisition case was studied during a period of two years and the main reasons that led to a very limited integration between the two units were identified. Findings show that cultural, language and business issues are profoundly intertwined and cannot be treated as isolated variables.

Keywords: cross-border acquisition, intercultural, communication, negotiation

1. The cultural dimension of cross-border acquisitions: are cultural differences an obstacle or an advantage?

The exponential increase of cross-border mergers and acquisitions (M&A) during the last decade was paradoxically accompanied by a growing volume of empirical studies conducted by academics and practitioners reporting a high failure rate of M&As, generally estimated as high as 50-60% (Morosini, 1998). Despite the fact that the main motives behind a merger or acquisition are usually related to the creation of value, focusing on strategic and financial factors proved insufficient to explain such high failure rates. According to Morosini (1998) cultural and organizational issues play a major role in the success or the failure of an acquisition, particularly during the implementation phase when people, organization and operations need to be coordinated and progressively combined.

Prior to an acquisition, strategic, financial and marketing issues take priority over cultural, organizational and personnel issues. Decision-makers tend to give disproportionate attention to the strategic fit between the two companies, i.e. the degree to which the acquired firm complements the acquiring firm's strategy and adds value to it (Ollie, 1994). It is unlikely that cross-cultural issues are given serious consideration or play a significant role *before* an acquisition takes place (Morosini and Singh, 1994). The situation is virtually the opposite *after* the transaction has been completed. At this stage, employees from both companies will start to interact frequently through numerous integration projects and tasks. Priority is given to the integration of the newly acquired company, through formal and informal coordination mechanisms and implementation of organizational changes (post-acquisition strategies).

The role and influence of culture in the success or failure of cross-border acquisitions is by no means clear. It has been hypothesized that culture, both at the national and corporate level, has an important effect on the post-acquisition performance (measured in terms of stock price, return on investments, cash flow, productivity) but researches in the field yielded contrasted and sometimes contradictory results. By instance Morosini and Singh (1994) found that some post-acquisition strategies were more culture-compatible than others. However in a subsequent larger scale study using a seemingly identical sample, the same authors' team found that post-acquisition performance was not affected by the post-acquisition strategy chosen for target integration (Morosini, Shane and Singh, 1998), a result in direct contradiction with their previous findings.

Acculturative stress, often called "cultural clash", has also been assumed having an important impact on the outcome of mergers and acquisitions. The concept describes a complex phenomenon experienced by members of one culture feeling a disruptive tension when required to interact with a second culture and to adopt its ways (Berry, 1980, 1983; Nahavandi and Malekzadeh, 1988). Recent research on European mergers (Very, Lubatkin and Calori, 1996) showed that national cultures sometimes influence acculturative stress but not always in the expected direction. Some examples of cultural differences elicit perceptions of attraction rather than stress. Another important finding of that particular study was that some cultural problems associated with combining organizations were more amplified in domestic rather than in cross-national settings, a result in direct opposition with previous assumptions (e.g. Very, Calori, and Lubatkin, 1993; Schneider and DeMeyer, 1991). It would be a fallacy to assume familiarity

simply because the buying firms and the acquired firm share the same national culture. As a matter of fact, qualitative interviews led by Morosini, Shane and Singh (1998) with executives of firms undertaking cross-border acquisitions revealed that a greater national cultural distance (as defined by Kogut and Singh, 1988) between the acquirer and the target seemed to enhance performance.

These contrasted results indicate clearly a need for further research in order to clarify a phenomenon much more complex than what business researchers expected. Attempts to integrate cultural differences in studies of Mergers and Acquisitions (Calori, Lubatkin and Very, 1994; Morosini and Singh, 1994; Morosini, Shane and Singh, 1998; Very; Lubatkin and Calori, 1996) showed that culture is not an easy construct to manipulate and its influence is difficult to measure precisely.

One reason why the influence of culture on acquisitions seems to be difficult to assess is that the relationship between national and organizational culture is by no means clear (Weber, 1996), particularly because the literature bodies on national and corporate cultures ignore each other and do not cross-fertilize. Both levels of culture are playing an important role in consolidation between merging firms, the effect may be positive or negative, and the influence of some dimensions may be country-, culture- or organization-specific (Very, Lubatkin and Calori, 1996). Another important flaw of all the above-mentioned studies is that they use paradigmatically Hofstede's dimensions (Hofstede, 1980) to define national culture. While studies of replications confirmed globally the validity of Hofstede's dimensions (Sondergaard, 1994), any use of the results outside their original setting should be considered with caution. The work of Geert

Hofstede on work-related values is still particularly precious when conducting comparative studies of organizations, but as a pioneering work based on surveys conducted between 1967 and 1973 it certainly needs to be theoretically refined in order to take into account the recent advances made in cross-cultural studies (Janson, 1992; D'Iribarne, 1997). Using the country scores as an ultimate truth and a proxy for culture is a widespread but dangerous trend in cross-cultural and intercultural studies (Usunier, 1998). Holden and Søderberg (1999) note that the corporate world studied by Hofstede no longer exists and that his concept of culture equating very strongly with the boundaries of nation-state tends to become obsolete for the business world. Another limitation of Hofstede's study worth mentioning is that for some countries, the questionnaire was administered in English rather than in the local language. In the case of Indonesia, Lorna Wright (1994) duplicated the study as part of her research on negotiations and obtained different scores when using a translated questionnaire.

Bresman, Birkinshaw and Nobel (1999) stressed that "the transfer and utilization of knowledge through acquisitions can be a daunting task." They argue that individuals will only participate willingly in knowledge exchange once they share a sense of identity or belonging with their colleagues. Therefore an acquisition would represent the bringing together of two "social communities" that become a single social community over a period of years (the post-acquisition integration process). In order to shed a light on the complex collaboration and integration processes involved in mergers, acquisition or multicultural teamwork, we need to adopt a more social constructionist approach to interpret the role of culture in intercultural communication and cross-cultural management (Holden and Søderberg, 1999), using qualitative and contextually sensitive methodologies.

We can posit that there is no predetermined influence of culture on post-acquisition performance. The influence can be positive, negative or neutral. It is rather the way culture is enacted during interaction between acquirer and acquired companies' staff that leads to successful or unsuccessful integration. That means that new advances in understanding require more analysis at the level of individual intercultural encounters.

2. An intercultural negotiation and communication perspective on the integration process of cross-border acquisitions:

The integration process of an acquisition can be viewed as a communication process (Gertsen and Søderberg, 1998) reflecting cultural interpretations of a proper way to communicate content and relations. When there is a relative balance of power between the acquirer and the acquired, the integration process is actually similar to a negotiation, where control mechanisms and procedures as well as access to knowledge and know-how are negotiated between the two firms' managers and staff. In this paper, when talking about negotiation, we adopt the concept of "negotiation in the workplace" used by linguists (Bell, 1995, Firth, 1995) as it encompasses all aspects of negotiations: interpersonal, inter- and intra-organizational, transaction-driven, commodity trading, face strategies (Firth, 1995). Therefore we do not consider that the processes of intra-organizational and inter-organizational negotiations would differ significantly.

Negotiation implies conflict, co-operation and talk. Parties to a negotiation have simultaneously

common and conflicting interests and need to use a particular type of communication that involves bargaining and persuasion. What matters is not only *what* is said, but also *how* it is said. This "how" often obeys rules that are culturally relative. Parties enact or express their cultural expectations about what is an appropriate negotiation behavior (Holmes, 1992). In mergers and acquisitions, knowledge and power are negotiated across borders and this negotiation process is prone to be considerably influenced by miscommunications, particularly in a context where there are fears of cutbacks and organizational changes.

A recurring theme in studies of international negotiations in a business context is that cultural differences in styles of negotiating and handling conflicts generate problematic misunderstandings. Several authors (Graham, 1996; Öberg, 1995; Mariott, 1995) studied specifically the communicative aspect of intercultural business negotiation trying to identify the influence of language, negotiation styles and non-verbal behavior on the negotiation processes. Though these studies were conducted in parallel in the different academic fields of business, communication and linguistics, they all converge to the conclusion that there is a hierarchy in the communication problems encountered during intercultural negotiations. Different levels have to be distinguished and each category of problems is more or less complex to solve.

Integrating these findings originated in different fields, we propose the following classification of instances of miscommunication in intercultural communication/negotiations:

Table 1
Levels of miscommunication barriers in intercultural business communication / negotiation.

Level 1	Source of miscommunication is in the surface features of language: lexical, presentational and performance aspects
	❑ Lexical and Propositional deviations. ❑ Presentational deviation. ❑ Performance deviation

Level 2	Source of miscommunication is in the Non-verbal or Paraverbal behavior

Level 3	Source of miscommunication is in the cultural or business context: deeper features of language and "business culture".

	❑ Culturally based ways of Talking
	
	    - Message content
	
	    - Message form
	
	    - Message medium
	
	❑ Culturally based ways of Doing Business
	
	    - Business context and strategy
	
	    - Management style & decision-making process
	
	    - Professional values

2.1 First level: miscommunications caused by surface features of language - lexical, presentational and performance aspects.

Researchers found that in this first category of surface features of language, instances of communication breakdowns are generally limited to a small number of cases. Interactants are generally able to identify all important issues and clarify what remained unclear. Business studies traditionally have a rather superficial acceptation of the term "Language", often defined solely by surface features, such as lexical and grammatical knowledge, self-assessed fluency, and so on. Linguists and sociolinguists have a much more complex perception of language and stress that these surface features are only a small part of the whole picture. Such disregard for the complexity of language and meanings can easily lead to what Usunier (1996, 1999) calls "cross-cultural ignorance".

Neustupny (1985) posits that the presence *of deviations from the norm of the base language* is a fundamental feature of intercultural situations and proposes five major types. Four of them belong to this first level of miscommunication.

(1) **Lexical and Propositional deviations** have to do with the problems of vocabulary and grammatical competence. Participants search for appropriate expressions, correct definitions and interpretations. Generally the conversation continues to flow, even if all the lexical items were not fully understood.

(2) **Presentational deviation** is related to the inability to communicate about the speaker's attitude, intention or personality. Language ambiguity causes particular confusion interculturally (Scollon and Scollon, 1995). A native speaker of a language can communicate a particular

intention by using particular language subtleties or making an understatement. A non-native speaker will often be unable to identify or to formulate this kind of discrete and subtle message.

(3) **Performance deviation:** in intercultural situations, people may have to vary their normal linguistic behavior when performing a message. Participants may speak more slowly and perform a kind of "foreigner talk" in order to be understood more easily or because they are unable themselves to perform a message as natives do.

2.2 - Second level: miscommunications caused by non-verbal or paraverbal behavior

Paraverbal and non-verbal behaviors have mostly an indirect role in intercultural negotiations but they still play an important communicative role. They reveal feelings and attitudes ("You bore me" or "I like you") and help regulate an interaction (as when someone coughs to indicate they want to interrupt). Loudness, tempo and pitch are used to communicate greater strength of feeling and conviction, according to the rules that are often peculiar to certain cultures (Guirdham, 1999). Research led by Graham (and summarized in Graham, 1996) revealed important variation across cultures when quantitatively comparing paraverbal and non-verbal aspects of negotiation communication: silent periods, conversational overlaps, facial gazing and touching. Fant (1989) predicted that differences in communicative strategies could be sources of major misinterpretations in Hispanic-Scandinavian interaction, due among other things to different interpretations of back-channeling (agreement vs. confirming attention), silences (attention vs. lack of interest), interruptions (aggression vs. argumentation), gaze (claiming the floor vs. lack of attention).

2.3 - Third level: miscommunications caused by cultural or business context - deeper features of language and "business culture".

This is the most serious category of miscommunication. Interactants may evaluate the behaviour of other participants according to their own cultural and communicative norms (Mariott, 1995). This is true in both mono-cultural and multi-cultural contact situations. However, in intercultural situations, misunderstandings and miscommunications are more frequent (cf. Gumperz, 1982) because the behaviour of participants is reflecting more divergent underlying communicative and socio-cultural norms. Yet negotiators are mainly not fully aware that their evaluation of other's behavior is rooted in culturally-based "ways of talking", and they generally conclude that their interlocutors are "difficult", "awkward", or the like. This phenomenon is labeled "dissonance" (or discord deviance) by Mariott (1995) and "socio-cultural miscommunication" by Öberg (1995). It often results in failure to reach common understanding, particularly when misunderstandings are linked to the affective or relational dimension of interaction. Lack of knowledge about the prerequisites of the meeting, about facts and conversational norms related to social, cultural and business backgrounds lead to *pragmatic failures*, i.e. an inability to understand "what is meant by what is said"(Thomas, 1983). Every competent native speaker knows that there are times when what is said cannot be taken at face value but must be interpreted according to different ground rules that differ cross-culturally. Pragmatic failures affect not only the outcome of the negotiation but also the mutual evaluations of the participants. These deeper features of cultures can be analyzed in terms of culturally based ways of (1) talking and (2) doing business.

2.3.1 Culturally based ways of Talking.

Culturally based ways of talking are analyzed in relation to three factors of communicative behaviour: (1) content, (2) form and (3) medium.

Concerning (1) **message content**, different ways to encode agreement, disagreement, and marks of interest can be the source of a considerable communicative dissonance. There is a considerable amount of tacitness in the ways negotiators send positive or negative signals. Australian and Japanese negotiators observed by Mariott (1995) experienced frustrating uncertainty regarding the final outcome of the meeting (seller and buyer's intention). They had a different interpretation of the ways demonstration of interest and commitment to purchase should be communicated. Verbal negotiation tactics used by negotiators can also diverge. By instance Graham (1996) found that Japanese were using less self-disclosure than other groups, suggesting a reluctance to give away information. On the contrary German negotiators tended to give a lot of unsolicited information and used fewer questions, probably assessing reciprocity in the give and take process.

Regarding (2) **message form**, one of the important tasks performed by actors of a negotiation is an attempt to convince the other party. Patterns of argumentation - the way in which arguments and evidence are presented, interpreted and accepted - differ across cultural groups. Differing intellectual style (for a complete description see Usunier, 1998) may give different priorities to the presentation of facts, theoretical arguments and categorical statements. As a result a style favoring words and discourse may be of little convincing power with partners favoring a more modest and provisional approach. Research on discourse also shows that, even if all words and

sentences of the speaker are clear, there is often confusion about what the speaker's main point is (Scollon and Scollon, 1995: 1-3). This confusion derives from different principles of discourse used to organize presentation. These different discourse strategies lead the speakers to consider that the crucial point of a discourse is either in the introduction or later in the utterance. Confusion is therefore inevitable and can lead to stereotypes like "rude" Westerner or "inscrutable" Asian (Scollon and Scollon, 1995). For Mariott (1995) conflicts over role (being a seller or a buyer) relationships can also generate communicative dissonance. For a Japanese, a seller is supposed to provide lengthy information about his/her company and products. The seller should supply information and the buyer will generally transmit information to the head office. For an Australian, a buyer is supposed to focus on the price and quantity with background information being of little importance. These conflicting visions about buyer/seller role will result in different ways to structure a negotiation. There will be different ways to organize the sequence of information supply, information elicitation, information seeking, case supporting arguments, and so on. This kind of tacit expectations may account for the different verbal behaviour strategies used by negotiators as analyzed by Graham (1996).

Miscommunications can also emerge from different perceptions of (3) **message medium**, the channel used to transmit information and communicate. Utilization of the written channel in the interaction may lead to some dissonance (Mariott, 1995). Different actors may afford different importance to the presentation and use of written information, like a brochure in a sales meeting or an internal newsletter for dissemination of information within a company. The choice of medium is also representative of certain social practices. In non face-to-face interactions the different media of telephone, letter (Barsoux and Lawrence, 1990), telefax (Louhiala-Salminen,

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1997), or electronic mail can be favored by some groups for certain purposes with different rhetorical moves to send request, confirmations, orders, complaints and acknowledge status of the receiver. Divergences about the appropriate style to use may lead to misinterpretations of the message. Every organization has also a set of explicit and implicit organizational rules on communicating (Gilsdorf, 1998). Employees need to identify these rules and decide whether it is in their interest to follow the rules or not, in other words to learn the "ropes" of efficient communication within the organization where they work. Information may be gathered or communicated via formal channels (hierarchical lines, official written material) or informal channels (direct and transversal contacts with colleagues, grapevine communication). These rules may profoundly differ in two different organizations, whether based in the same or in different countries. "Corporate culture" differences are generally identified because of differing rules of internal communication.

2.3.2. Culturally based ways of doing Business: Values, decision-making and business strategies.

Cross-cultural management is a term often used to describe the non-language related aspects of coordinating interactions of co-workers, managers, customers and suppliers across borders (Adler, 1997). But management is very much conversational in essence, and miscommunications can also occur because the professional contexts in which the partners evolve are different, creating ambiguities about the intention of the other party. These culturally based ways of doing business can be analyzed in terms of (1) business context and strategy, (2) management style and decision-making process, or (3) professional values.

(1) Business context and strategy

Business strategies, goals, objectives and practices are an integral part of the communication process when adopting an intercultural business communication perspective. Convergences or divergences of these strategies between business people have a direct impact on the transactional culture they will try to create. Varner (2000) pinpoints the fact that communication is not an end in itself, it is embedded in a work environment and all actions undertaken by individuals are aimed at achieving professional and commercial goals. Therefore the objectives of the business, the level of internationalization and the structure of the organization will help determine the intercultural business communication strategy of a particular corporation.

(2) **Management style and decision making process**

For Usunier (1996), in a cross cultural perspective three factors should be remembered when trying to gain influence on the decision making process: (1) Status is not shown in the same way according to culture, (2) influential persons are not the same and individual influence is not exerted in the same way, and (3) the decision-making process differs.

A large number of studies and publications studied the impact of cultural differences on different aspects of management, such as structure, hierarchical relationships, management of expatriate and motivation (among the most often cited are Hofstede, 1980; Laurent, 1983; Adler, 1997). National differences in management practice have been identified in cross-cultural studies, but the real issue in the integration process of M&A is the perception of these differences. Differences between partners – actors of an interaction – do not exist as such, they are perceived, created, or co-constructed only during interaction. Gertsen and Søderberg (1998) showed in their

analysis of foreign acquisitions in Denmark that models of cultural classifications have been unable to predict the course of integration of the acquisitions they studied. For them, national and organizational differences definitely play an important role in the integration process of companies, but "culture is not something objective and given which a nation or an organization has."

(3) Professional values

Some authors focused on particular work-related values that may affect interactions across cultures. By instance Graham (1996) finds that differences in terms of objectivity, competitiveness, and punctuality influence the outcome of international negotiations.

3. A case study of cross-border acquisition integration

3.1 Presentation of the case study.

This classification of instances of miscommunications was used to structure and analyze data collected in a qualitative pilot study conducted between 1997 and 1999 in Finland and France. The objective was to explore the intercultural dimension of communicative events at play during the integration phase of a cross-border acquisition. Specifically the question was about "what happens when the staff of two companies - the acquired and the acquirer - located in two different countries start to interact as part of a same organization and how do they negotiate issues of knowledge sharing and control?". The Finnish unit (referred to as Fintech), recently acquired by a larger French company operating in the same industry (called Frantech in this

paper), was experiencing difficulties in managing its relations with headquarters. Field notes, meeting notes and tape-recorded interviews were collected, trying to capture the perceptions of actors and analyze the unfolding of communicative and managerial events, both from the Finnish and the French point of view. During this extended period of time, "stories" of the organization progressively emerged, recollections of significant events interpreted successively by Finnish and French staff. These stories rapidly sketched a portrait of the French-Finnish relationship where the relationship problems evoked, such as "lack of trust, excessive hierarchy, inefficient management, rigidity" seemed to be as much the result of interpretation of culturally coded signs as based on pure facts.

The two companies whose integration process was analyzed were both selling products that can be classified as industrial ventilation. Fintech, a medium size Finnish group, was acquired at the beginning of 1996 by a much larger French group, Frantech. Frantech had a turnover of around 90 millions euros (1998) and employed 550 people in France. The firm invested heavily in its internationalization during the nineties. Traditionally selling its products via distributors, the company set a fully owned subsidiary in United States, then purchased Fintech in 1996, and acquired in 1999 two other companies in Malaysia and Belgium. Fintech is a much smaller group with less than 100 employees, realizing a turnover of 7,2 millions euros (1998) but present in a very dynamic market with a strong international growth. 75% of its turnover comes from export markets. The story of Fintech is rather bumpy, as since 1987 the group had four successive owners. At the beginning of the nineties the Finnish group that owned Fintech was in financial difficulties and the ownership of the small subsidiary was transferred to a consortium of banks. However during this period Fintech enjoyed a considerable freedom and could develop its

activity without much interference from the bankers. When the company started to experience a strong international development it was sold directly by the consortium to Frantech.

The management in Fintech was experiencing a strong dissatisfaction about the relationship with their French homologues. This was expressed by referring to executives from the headquarters having the wrong attitude:

> *I do not tolerate their attitude. There a lots of good results in Fintech, and it is not*
> *respected. For them it is "the French are always right".*
> *(Managing Director, Finland)*

The Finnish Director seemed to think that misunderstandings were unavoidable. However he was convinced that the causes of the misunderstandings were not inherent to the cultural differences but more deeply vested in business contexts, with the cultural dimensions playing an important role in the difficulties to make the message go through:

> *About the relationship with the French, I am negatively surprised of the outcome. There*
> *are not really conflicts but misunderstandings. [...] Cultural problems create a smoke*
> *screen. We do not know how to represent our ideas. We are stuck with cultural*
> *differences. We present the things the wrong way, even if we talk about the right subject.*
> *(Managing Director, Finland)*

For their French counterparts, the frustration was also clearly expressed. The main complaint was the inability to establish "group relationships", namely to feel that the Finns would belong to

the same group and behave accordingly. A recurring theme was that co-operation was extremely limited and it was impossible to benefit from the effects of synergies between Finnish and French units, particularly because of the Finnish reluctance to share technical and marketing information. Recalling a technical meeting whose purpose was to foster integration between France and Finland, the French director for Research and Development described what "exasperated him most":

> *What I was expecting was a meeting, that is to say exchanges. He [Finnish Managing Director] arrived at the meeting, he took a lots of notes, lots of notes, and the open questions [we asked] remained unanswered most of the time, or at least without answers worth that name. (...) The blackout! Nothing!*
> *All right, we got some information, but extracted with a forceps. It's true that to that extent the objectives of the exchange were not fulfilled. Up to now I would say that our teams have always been the givers.*
> *(Head of Research and Development, France)*

Applying the framework of analysis presented earlier will allow us to shed a light on the reasons of the communication difficulties experienced by the Finnish and French executives. Source of the dissonance may be found in different values, decision-making patterns, role expectancy, communication priorities, visions and value given to hierarchy, and compliance gaining strategies. It is striking that these communication difficulties seems to have play an important role in the implementation of what was probably the less efficient integration strategy.

3.2. Analysis of instances of miscommunications

3.2.1 - Level 1: surface features of language.

In line with previous research findings, there were very few instances where people referred to the language proficiency as a major barrier to communication. Language skills seemed to be sometimes a problem for routine communication between the two countries. Finns were experiencing difficulties speaking English with either the headquarters' switchboard or secretaries making it difficult to leave a message. Observations at the French headquarters revealed that a key person in the managerial staff, the personal secretary of the CEO and owner of the company, refused to learn English during a long period of time. She was ultimately forced to take lessons after 25 years of purely French speaking activity in the company. During the period of investigation both national staff were engaged in extensive business English training, conscious that it was a necessity in a group experiencing a strong international growth.

3.2.2 - Level 2: Non-verbal and paraverbal communication.

The only observations about non-verbal or paraverbal aspects of communication came from the French staff, generally with divergent opinions whether Finns should be perceived as pleasant or taciturn. However the phenomenon is difficult to analyze in the absence of recorded face-to-face interactions. The methodologies used by linguists would be the most appropriate for a serious analysis of this dimension of communication.

3.2.3 Level 3: Deeper features of language and "business culture".

Most of the communication difficulties we could identify were related to this third category. We found that many conflicts rationalized as organizational problems between the two units were actually due to different patterns of communication. Conversely, purely business related problems led to and were labeled as communication difficulties.

a) Culturally based ways of Talking

Message content: Incisiveness - playing the appropriate role.
Some informants clearly stated that Finns should adopt a more dominating attitude during meetings and take the place they deserved, considering their results in export markets.

> *I give you an example of a meeting where all entities involved in [Finnish product line] markets were present. Our Malaysian friends started the meeting and made their presentation with a lots of enthusiasm and exuberance. Seppo [surname of the Finnish managing director] stayed on a polite reserve, with great measure, with arguments. Between the two there were different weights to give to the argumentation when facing the numbers ... and the duration of speech was disproportionate to the results. Seppo did not put himself in the forefront in order to have his prerogatives recognized. I think one should have the pertinence to do that, and I saw that it bothered some people around the table. He did not put the weight he could have in the meeting, the weight that gave him his position in the company in terms of turnover, contribution margin and so on.*
> *(Head of Research and Development)*

We can detect here a conflict between the cultural modes of power display and divergences about the scripts for taking decisions in a meeting. The French executive seems to indicate that his Finnish counterpart should behave according to his real place in the organization, as the leader of an important unit, having all the rights to dominate the meeting and force his point of view on the rest of the group. The lack of incisiveness displayed by the Finnish executive was probably seen by some as the exasperating sign of a leader behaving irrelevantly by not exerting his power. The French manager directly states that one should have the "pertinence" to seize and exert the power one is entitled to, whether this power would be granted officially by one's hierarchical position or implicitly by one's economic importance in the organization in terms of financial results and volume of sales.

Message form: Persuasion and obedience.

The Finnish general manager had difficulties to identify proper networks to influence decisions. He was attempting to explain his strategy and product philosophy to purchasers and designers who could not care less. The main issue was about "how to convince an organization?" and fight against the policy of fait-accompli, with decisions imposed from a distant headquarter. In the attempt to convince others and manage successfully internal communication, the Finnish managing director seemed to have difficulties to use the right kind of discourse. Trying to influence decisions made at the headquarters, he would try to communicate only at the top level and would simultaneously explain his vision of markets and strategy to other members of the French organization as an attempt to gain recognition for his point of view. On the other side any request for information formulated by French staff would be discarded in fear of giving away

precious information that would reinforce a damaging internal competition.

Research in communication showed that manager's compliance-gaining strategies differ across cultures (Sullivan and Taylor, 1991). Analysis of data showed that in our particular case, Finns and French were having diverging ideas about the ultimate way to obtain information and gain compliance. The strategies used by the two groups were the following:

- Finns would applying the strategy of reasoning - influencing by relying on explanations to support requests, stating the objective merits of their point of views, and being ready to accept rebuttal grounded in logic. The Finns used the logic of competence: "we have the competence and the knowledge, which means we are entitled to decide and to refuse any decision that we judge counterproductive. To convince is to give good reasons".

- French were often tacitly using a strategy of appeal to higher authority - influencing by relying on the chain of command, using the higher levels in the organization to back up requests, expecting undisputed submission. French executives assumed having a collaborative approach in their relationships but a strong hierarchical logic always remained in the background. They generally considered the Finnish unit as a "subordinate" unit because the ownership of the company was in France. Their expectations reflected this point of view, as often came in the conversation the argument that compliance and co-operation was expected because "We are still the boss, the owners, the headquarters and the direction is here and not there".

Message medium:

There was some dissonance with regard to the utilization of a proper channel of communication in the relationship between the two units. It seems that there were cultural expectations about the "proper" medium of transmission to use.

> *There is no notion of Team. We are treated like customers. By instance we receive the same memos than the importers. They send the same note by fax to the importers and to us. This is not a proper way to behave, considering that we belong to the same enterprise. Honestly, the Direction is still here!*
> *(Sales Manager, France)*

Receiving a standard memo by Telefax was perceived by the French as a treatment reserved to suppliers or importers, something of a channel reserved to subordinates but certainly inappropriate between colleagues of the same group.

Finns were also complaining to receive important information for their own organization via indirect ways. By instance when a new "International Direction" was created, the official two-pages letter announcing the decision was not sent to Finland. Having heard through the grapevine that they should now report to this new direction, executives in Finland requested to receive the document that was finally sent three weeks after its redaction.

b) Culturally based ways of doing Business

Business context and strategy: the role of the Finnish unit - Production or Marketing?

The Finnish managers were constantly referring to the misconception of their role within the group as a major problem of communication between them and their headquarters. According to them, the value of their company laid in the Marketing knowledge they had developed. This value was not fully recognized, and obliged them to constantly fight against decisions taken at a central level and inappropriate for the development of the Finnish unit. Two years and a half after the acquisition of Fintech, the production of a complete product line was totally transferred to Finland. Though it represented an important volume of production, the transfer was welcomed in Finland with mitigated feelings.

> *We have two different business strategies and different behaviors, ways of working. It creates conflicts and there are no clear deciders. They have bought something they do not know the value! When they bought us they thought of manufacturing and production capacity. But this is a marketing company. Frantech is a production company with Sales and no Marketing.*
> *(Managing Director, Finland)*

The situation was complicated by a patent lack of brands and market coordination across different national units, leading to internal competition on some markets. In the Spring 1999, the same product line was sold under four different names by different units without any clear markets or brand strategy. Each acquired company brought its products to the group, where they

all coexisted as no major reorganization of the product portfolio was ever made. Nothing formally forbad the different units to go hunt on other's markets, and in some occasions it triggered conflicts between country managers. A French manager stated that, *" there are crazy things that happen on some markets. We need to suppress some trademarks and have a clearer policy. If ever two distributors make a fusion and start to compare all their information, we are going to have a problem. And a big problem!"*

Two different conflicting logics of market strategy were present within the company. The much larger French group was following a logic of mass production, selling components to resellers or assemblers (downstream market) at a low price obtained by economies of scale. The smaller Finnish acquired company always evolved - with a considerable success - in a high quality niche market, selling full systems to general contractors (upstream markets) at a premium price. Consequently, exchanges and relations between the two units were at a minimum level, with extremely limited integration of activities and exchange of knowledge concerning markets and marketing strategies.

Management style and decision making process: who is hierarchical?

The data collected revealed a very interesting mirror effect in the perception of management style. Each side was describing itself and the other with the same words. "We are very direct and informal - They are very hierarchical and formal". It is often stated in popular management literature that French organizations are very hierarchical and Finnish ones very flat and informal. This dichotomy was absolutely not confirmed by the informants, and everyone was unanimously considering itself as very democratic, egalitarian and informal and the "other" organization as

very bureaucratic and hierarchical.

Finnish managers were unanimous to consider that in France, "everything comes from the top". The owner of the company was seen as the main key to access power. One of the main problems for Finnish managers was that their organization had no seat at the board of directors, viewed as the ultimate site of power, and therefore no possibility to influence decisions at an early stage.

> *The main problem is that the decision process is out of our control. They come twice a month and we do not have much influence. That means that we have often crisis during meetings because there is no possibility to have a rolling-around process. [a joint decision process].*
> *(Managing Director, Finland)*

The French top management was applying a policy of fait accompli concerning the decisions. Subsidiaries would not be consulted - even for issues that primarily affected them - and the decisions taken were supposed to be applied without arguing. Finnish executives interpreted this as the proof that they were "not trusted neither listened to". The general feeling in Fintech was that it was useless to discuss with people at lower hierarchical levels because all decisions would be anyway imposed from the top. But convincing higher levels of the organization was not seen as an easy task. Trying to work directly with influential directors often necessitated considerable efforts, and sometimes an act of power:

We made a visit in the French factory three weeks ago. We tried to organize a

preparatory meeting with the Directors but they all found excuses not to see us. Then we

had a meeting with the President, and we could see that everyone was aware that we had

a meeting with Mr. Croz [owner of the company]. People started to look at us with

respect because we are shaking the organization with these direct contacts. After that,

everyone agreed to meet us.
(Managing Director, Finland)

French managers described their Finnish colleagues as very bureaucratic. For them, one could see very quickly who was "Big boss" or "small boss". Finnish executives were seen as not wanting to discuss in direct with their colleagues, and always using the official hierarchical line. According to the interviewees, this attitude was not well perceived in Frantech, where informality and direct discussion across hierarchical levels were promoted at all levels.

It is true that they have a much more hierarchical approach to things.[…] And many

people have difficulties to work like that in France, and particularly in Frantech where

there is a lot of transversal communication. And for me the Finns do not function

transversally. Well for me they are Germans to the power of two. They are very

hierarchical, and I think that one should no try to change them.
(European Sales Area Manager, France)

In Frantech we work a lot with global delegation. But with them [Finns] there is a feeling

of a strong hierarchical ideology. Everything must follow the chain of command. We see

that when they come: there is a big boss, a small boss and a smaller boss. When they are

asked directly a question they look at the boss and it is through [him] that the answer

comes.

(Sales Manager, France)

D'Iribarne (1998) found similar perceptions in his study of teamwork during the attempt (that ultimately failed) to merge the cross-national activities of a French and a Swedish company. French were seeing the Swedish consultative decision process as extremely heavy and leading to considerable inertia. Swedes were not criticizing the quality of decisions taken by the French but rather the legitimacy of their decision process. The real divergence was not so much about "who decides" but about "what does it mean to decide?"

Professional values

We could not identify in the body of data any information about the influence that differing professional values across borders may have played in the intra-organizational negotiation between Frantech and Fintech.

4. The role of communication dissonance in the implementation of a post-acquisition integration strategy.

The two companies studied had a great potential for realizing synergies, a term that was often used by the interviewees. Fintech has a very large European share of a high-quality niche market

with a very strong potential for growth. Its teams have accumulated a precious knowledge of markets, buyers and appropriate marketing strategies. This market niche is secondary for Frantech as a whole and represents less than 10% of its sales, but is probably the market offering the best opportunity for a fast international growth.

To that extent the best post-acquisition strategy for Fintech would have been an integration (as defined by Morosini and Singh, 1994). The responsibility for coordinating brand portfolios and international sales of the particular high-quality product line could have been transferred to the Finnish unit, and minor products for Fintech could have been more effectively managed by Frantech's large sales organization. That would have necessitated a bottom-up type of decisions, the transfer of skills and power to the subsidiary and the use of a lots of informal coordination mechanisms, as is recommended in this type of strategies.

From the transcripts we can observe that both sides perceived a certain degree of communication dissonance (as defined by Mariott, 1995). It is rationalized as "attitudes", "lack of trust", "absence of co-operation" but the real issue is about the inability to generate smooth exchange of information, gain an influence on strategic decisions, and persuade the other party of the validity of one's point of view. In other terms, we could define the general atmosphere as the result of unsuccessful negotiations about exchange of knowledge and control over business operations. As a consequence, executives from the Finnish unit deliberately limited the amount of market and industrial knowledge to be transmitted to their headquarters. The resistance could take several forms, from refusal to comply with orders perceived as harmful for the Finnish unit, to "express" visits of the factory not leaving any chances for the foreign visitor to get an idea of the

production technology used in the plant. In its simplest form it would translate in a strong reluctance to communicate anything but the strict minimum, the whole unit entering in a sort of "organizational silence".

Due to the difficulties experienced by both sides for transferring knowledge (resistance from the Finns) and yielding formal power on decisions (resistance from the French), most of the coordination mechanisms have been extremely formal: use of heavy financial reporting procedures and centralization of decisions in the headquarters with attempts to force decisions upon the Finnish unit. The post-acquisition strategy implemented was a "forced" independence with limited changes, few people involved, and no possibility to build a new company. In many aspects, the situation was similar to the one existing prior to the acquisition, with French products being de-facto competitors on the same markets, but with headquarters' top management still calling for co-operation and information sharing.

It should also be stressed that from the beginning none of Frantech managers ever envisaged an extended stay in Finland. Still, decision-making power was supposed to stay in the hands of the board of directors, from which Finnish managers were absent. The choice made was of a "distant" management, with Fintech reporting to their French official managing director, who paid a two-days visit once a month. It took two years before the Finnish unit manager would get the official title of Managing Director, a position he held in practice from the very beginning. Following Bartlett and Ghoshal (1989), we can say that this reluctance to give away power was certainly influenced by the administrative heritage of Frantech (shaped by the peculiarities of traditional French management as described in Barsoux and Lawrence, 1990 and Simonet, 1992)

and by the personality and style of its leaders (family owned company with a very recent internationalization and still having a medium company mentality).

Gertsen and Søderberg (1998) showed how in the process of integration after an acquisition employees interpret the cultural differences they notice and to which they attribute importance. Negative feelings towards the foreign company lead to difficulties of co-operation as the acquired firm's staff members feel the necessity to dissociate themselves from the acquiring company's representants and their instructions. Acquisition employees "will feel a need to emphasize that their culture is different and better, and that it is the work style and managerial attitudes in the other company that lead to difficulties of co-operation" (Gertsen and Søderberg, 1998:192). This kind of attitude is exactly what was observed in the case of Frantech and Fintech, with staff from both companies considering that difficulties of co-operation were due to the other party. That led to the creation of an "us and them" syndrome, one of the worst obstacle to successful integration of acquisitions (Morosini, 1998:257).

5. Conclusions and limitations of the study .

High failure rates of acquisitions are often due to company managers systematically overlooking the major cultural and organizational complexities involved in integrating the merging firms' operations and informal networks (Morosini, 1998). In cross-border acquisitions cultural issues can break or make a process of integration. However culture is not an easy construct to manipulate and attempts to test the influence of culture measured as a global construct

(Hofstede's dimensions) yielded very limited results.

Better insights can be gained by considering the integration process of an acquisition as a communication process (Gertsen and Søderberg, 1998) reflecting cultural interpretations of a proper way to communicate content and relations. Knowledge and power are negotiated across borders and this process may be considerably influenced by miscommunications.

By combining different frameworks, we attempted to build a tool of analysis for a better comprehension of miscommunications in intercultural negotiations. Applying this tool to a Finnish-French acquisition case, we could identify some of the reasons that led to a very limited integration between the two units. Confirming previous studies of intercultural negotiations, we saw that surface features of language were not the main reasons for the failure of integration. Miscommunications were generally embedded in deeper aspects of culture, some of them related to cultural ways of talking, and others related to different visions of decision-making, hierarchy, and appropriate market strategies. This pilot study tends to confirm that cultural, language and business issues are profoundly intertwined and cannot be treated as isolated variables. An important finding of this study was that many conflicts between the two groups that were rationalized as organizational issues (bureaucratic organization or hierarchical decision style) were actually due to different patterns of communication. People were saying the same things, but not the same way. We also saw how purely business related problems (what is the right way to sell on foreign markets) led to communication difficulties (information retention).

The final outcome was that three years after the acquisition, the two companies had achieved

minimal integration of their activities. In the final interview of this study, Fintech managing director had to recognize that between the two countries "*We do not know each other, either personally or about our ways to do business*".

Stemming from a single case study of a cross-border acquisition, this research presents several limitations. First of all, the results presented here are descriptive rather than prescriptive, calling for further replications in order to generate hypothesis that may be tested at a later stage. A second limitation is that the study focuses primarily on miscommunications between national staff, presenting a certain bias towards the analysis of negative perceptions during the integration process. Studying both positive and negative perceptions as well as using other levels of analysis, such as face strategies (Gertsen and Søderberg, 1998) or discourse systems (Scollon and Scollon, 1995), could considerably widen our understanding of the complex phenomenon of cross-border acquisition integration.

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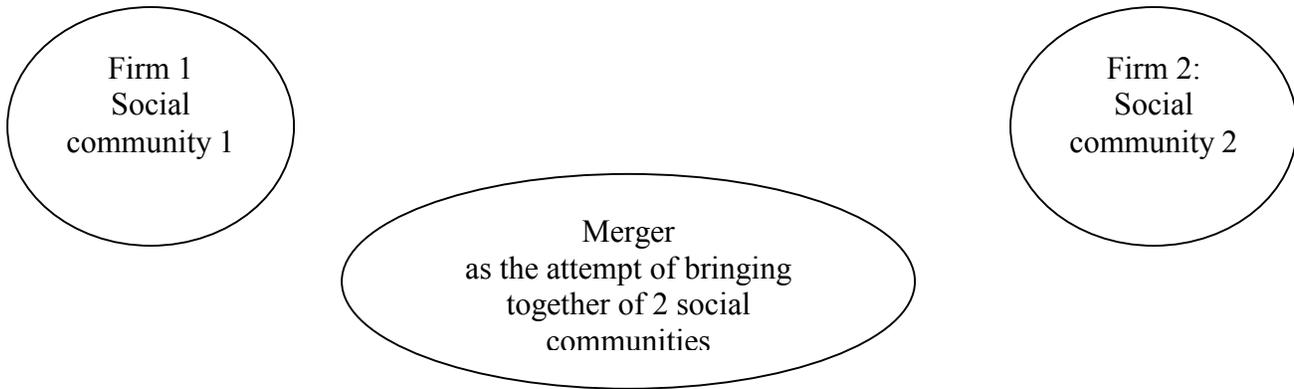
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Table 2

Firm 1
Social
community 1

Firm 2:
Social
community 2

Merger
as the attempt of bringing
together of 2 social
communities

Communication process between
individuals:
- Distanciation-cooperation
- Control
- Negotiation for access to
  power and knowledge
- Attempt to implement a
  particular PAS