HISTORICAL PERSPECTIVE IN THE CONTEXT OF ORGANIZATIONAL CULTURE IN ACQUISITION STUDIES

A PERSPECTIVA HISTÓRICA NO CONTEXTO DA CULTURA ORGANIZACIONAL EM ESTUDOS DE AQUISIÇÕES DE EMPRESAS

RESUMO

Neste estudo utilizamos a perspectiva histórica para analisar as manifestações da cultura organizacional na aquisição de empresas. Apesar de bastante sedimentada nos estudos organizacionais, ainda é incipiente a utilização do método histórico para intermediar a relação de construtos que demandam maiores investigações. O objetivo deste artigo é, por meio da abordagem histórica, contribuir para o entendimento da trajetória e dos traços culturais organizacionais no processo de aquisição de empresas. Neste sentido, adotamos os conceitos de cultura propagadora (também denominada parent, da organização adquirente) e cultura receptora (da organização adquirida). Os extratos de história oral coletados nas entrevistas permitiram reconstruir a cultura da empresa adquirida e compreender as manifestações culturais nas decisões e reações de executivos, grupos departamentais e funcionários quando da consolidação do processo de aquisição estudado. Os resultados do estudo demonstram que os contextos históricos das trajetórias culturais das organizações, além de refletirem na formação da cultura parent e receptora, auxiliam no entendimento das manifestações culturais pós-aquisição.


ABSTRACT

In this study we used the historical perspective to analyze manifestations of organizational culture in acquiring companies. Although quite settled in organizational studies, the use of historical methods to mediate the constructs’ relationship are still incipient and require further investigation. The purpose of this article is through, the historical approach, contribute to the understanding of trajectory and organizational cultural features in business acquisitions process. In this sense, we have adopted the concepts of propagator culture (also called parent, the acquiring organization) and receiving culture (acquired organization). The collected oral history extracts from interviews allowed to rebuild the culture of the acquired company and understand the cultural events in the decisions and executives’ reactions, departmental groups and staff when the acquisition process was consolidated. The study results show that the historical contexts of cultural backgrounds of the organizations reflect on the formation of the relative and receiving cultures. They also help understanding post-acquisition cultural manifestations.

Keywords: Historical approach. Parent culture. Receiving culture. Acquisition process. Evidence of oral history.
1. INTRODUÇÃO

One of the biggest challenges in the acquisition of companies is to decide the direction that a management plan for the purchased company should take. Understanding what changes should be made, how to make them and what the future identity of the new enterprise will be are issues emerging in the agenda of those corporations that make use of acquisitions as an expansion strategy. How to share, reconcile and synergize the interweaving organic systems of values, rituals, symbols and practices of the organizations? What to do in order to foster a common identity among members, who, in the recent past, used to be fierce competitors in the market, or may have cultural differences standing in the way of adaptation? These are recurring issues in the formation, evolution and transmission of organizational culture, which result in inter-organizational friction and practical impediment to the introduction of human resources strategies.

In this study we propose a historical approach to understand the influence of organizational culture in the acquisition process. According to the acquisition literature, the cultural clash between organizations is one of the most important factors that contribute to the failure of acquisitions (CHILD et al., 2001; SARALA et al. 2016). Little is known about to which extent the differentiation stemming from such clashes interferes and compromises the integration of companies. Although difficulties of integration between distinct cultures may seem clear, how to overcome the problem is less evident. Much of the literature is limited to description focusing most of the time on a single organizational culture articulated by top (ELSASS; VEIGA, 1994; RISBERG, 2001; WEBER; TARBA, 2012). Our purpose here is to introduce some elements of historical research to construct an analytical cultural model in acquisitions.

Unlike other studies on the influence of culture in acquisitions, which concentrate mainly on a specific phase, or analyse a certain functional activity, the aim of the research reported here is to investigate the process of transformation of two companies through the perception of all the functional areas involved. This research contributes to cultural studies of acquisitions since it expands the investigation into how different layers of the company perceived the phenomenon. The focus of the analysis covers both the ideology of top management and the ambiguities and contradictions between different individuals and groups.
It is generally acknowledged that organizational cultures are historically based (ROWLINSON; HASSARS, 2014). We argue that a more historical approach in acquisition studies and more critical attention to organizational culture would facilitate the deconstruction of oral narratives of inter-organizational cultural manifestations. In order to investigate how which organizational cultures have developed and amalgamated we used oral history. The method allows the assessment of the events and oral narratives which that present in a longitudinal historic line, in the establishment and integration of the organizations.

When one company acquires another, it brings a history built on a cultural system that differs from the one been incorporated. The changes introduced in the acquired company after the consolidation of the acquisition could induce a change in the identity of the people involved. At that moment, the individuals involved in the integration process may accept the acquisition to varying degrees. We argue that knowledge of organizational configurations adopted in the lives of companies help us to understand how cultural systems, formed and maintained over time, change or are rebuilt through actions taken after the conclusion of the deal.

Following this focus, we investigate the changes of cultural significations perceived by the social agents of two organizations involved in an acquisition that resulted in the biggest flat steel conglomerate in Latin America. We apply the integration, differentiation and fragmentation framework (MARTIN, 2002) to understand cultural manifestations between the two companies. An organizational culture is ‘integrated’ when it reflects a wide consensus, ‘differentiated’ when it is confined to certain subcultures in opposition to others and ‘fragmented’ when there is little consensus at all.

2. ORGANIZATIONAL CULTURE CONCEPTS AND ORAL HISTORY

This paper intends to contribute to the literature adopting a historical approach to investigate cultural manifestation in an acquisition process. The study applies the concepts of “parent” and “received” cultures (CLARKE et al., 1987). Parent culture can be understood as the culture that gave birth to the present culture and is represented by those regarded as leaders and constructors of the basic cultural concepts. Received culture can be understood as the culture that receives the parent culture, either absorbing it as a whole or partially, or imposing an identity withdrawn from the basis of the culture transmitted by past generations.
The designation “parent culture” not only includes the events based on the creation of the organizational culture but also the context in which it was established. Through remembered history it is possible to identify the people who actively participated in the basic cultural foundations of the organization. The parent culture is structured by the groups or individuals that may be involved in the establishment and development of a company. Its concept comprehends a wide range of people and the mentors of the organizational culture are not necessarily the founders. They do not have to be directly connected to the organization since its creation.

In regard to this study, “received culture” corresponds to the culture that receives the parent culture. Received groups are represented by the executives, managers and workers, who whilst receiving the parent culture, tend to express themselves in a number of diverse ways. Most of the times, the leaders play the connection role between the parent and the received culture, adopting, excluding or empowering cultural elements taken from previous generations.

In order to analyze the influence of acquiring and acquired companies in the acquisition process we adopted oral history. Oral history is a way to get a better history, a more critical and conscious history which involves the members involved in the creation of their own history (PERKS; THOMSON, 2006). It is well accepted when written documents seems to be unsatisfactory or in the situations where the available written texts are not very explicit (THOMPSON, 2000). The purpose here is to create the historical sources, recorded by the assistance of the actor and specialist who will help the development of the theme studied. In acquisition cases where the strategies are treated with extreme confidence, oral sources could evidence relevant insights.

With the advent of contemporary oral history, the interest in the analysis of individual roles in decisive moments has greatly increased. As Bauman and Brigs (2003) point out, the cultural aspects concerning the memory of the past are means to understand the present. In this new investigation frame, the use of personal narratives, life stories and biographies that had been criticized for their distorted subjectivity, return to field studies that adopt history as a source of research (THOMAS; WILSON; LEEDS, 2013). In modern history, the perspective of social structures and conjuncture trajectories has been replaced by representations and practical analyses (BAUMAN; BRIGS, 2003). Instead of considering the oral report itself as a simple form, it has been studied in its intrinsic meanings.

Rather than use the historical approach to explore narrative ideas or arguments of contextual facts to reveal the basis of organizational cultures, we are interested in capturing the meanings and interpretations of individuals and groups’ experiences of a
culture. Following Lévi-Strauss (1963), the historical approach is the best way to know individual and group experiences, their ideology and praxis, allowing the researcher to get closer to the implicit meanings of their actions.

Several studies have shown some particular aspects that qualify oral communication as an integrative and elucidative form of the social fact (TONKIN, 1995; THOMPSON, 2000). In most society levels wide oral evidence constructed on oral traditions subsists in the form of repeated and propagated narratives. Those are communicated from one generation to another with minimum change due to socialization strategies, stories and rituals. Sagas, for example, are part of oral traditions. They tell the living history of a company, stories of heroic achievements and refer to events in the organization’s history.

Just as oral traditions, oral evidences can be a powerful resource for studying an economic event when written registers are insufficient to analyze the researched situation, which is the typical case of the acquisitions strategies. Oral evidences expand the information about specific organizational events, elucidating both the actors’ involvement in the organizational evolution and the subjacent history facts about the main tension moments, in the relationship between the organization and its stakeholders. It is not the case of approaching these sources as simple historical documents, but the real intention is to make use of their great contribution.

Social leaders’ statements are not the only one that can be considered in the research. For a realistic and impartial deconstruction of the past, low hierarchical witnesses also have to be invited to give their social message about the historical event (THOMPSON, 2000; ERICSON; MELIN, 2015). The most distinctive contribution of oral history has been to include within the historical record the experiences and perspectives of groups of people who might otherwise have been hidden from history (PERKS; THOMSON, 2006). In organizational studies the involvement of lower level workers could create a more reliable set of verbal narratives.

2.1. THE INTEGRATION PERSPECTIVE: PRESERVATION AND REINFORCED OF ORGANIZATIONAL CULTURE

This paper intends to contribute to the literature by extending the analysis to different hierarchical levels and by investigating culture integration from the perspectives of both the acquired and the acquiring company.
Integration denotes a situation in which high levels of consensus levels of consensus are present around a specific culture (MARTIN, 2002). According to the integration perspective, culture is defined as being shared by a single group or organization, an integrative mechanism that brings together members of different organizational groups. Some argue that the opinions of people in leadership and management positions should count more, in the sense that they have more organizational power. Most people share the values and beliefs embedded in organizational culture and the organizational actors cover a vast area of this conduct (PAYNE, 2001). This approach incorporates the views of a series of researchers with the same focus, who explore top management values and symbolical aspects of cultural life, such as rituals, histories and other cultural artefacts (DEAL; KENNEDY, 1999; SCHEIN, 1999; PORRAS; COLLINS, 1994; DENISON, 2001). To the integration proponents, no culture can be expressed without prior identification of the social actors and without the recognition of the members of the community. In this process, the construction and irradiation of the cultural elements start with the transference of organizational identity, conceived by those who are the bearers of organizational culture.

Sathe (1985) suggests a study of the personal way the founders and following leaders see the world. The extent to which the new members absorb the organizational culture will depend on how important those people are for them. A similar point of view is shared by Vecchio (2005). The author suggests a framework with six “basic concepts” that affect the changes in organizational culture (see Figure 1). Maintenance and reinforcement of organizational culture can be understood by the way the founding members or leaders react in crises and critical situations. The founders influence the formation of a corporate culture by choosing their successors and the key members that will spread their orientations. Their visions, aspirations and beliefs play an important role in the establishment of the norms and values of the organization. In order to reveal how cultural values are preserved or questioned, it is also necessary to investigate the trajectory of the organization.

Figure 1 – Framework for analyzing organizational culture

![Figure 1](image-url)
The integration perspective focuses on consistent and unambiguous expressions of a culture. This consistency emanates from the founding member and leading managers. Martin (2002) compares integration to a solid monolith from which culture is like a rock that is seen the same way by most people, no matter from which angle they view it. The monolithic idea suggested by the integration perspective might be applied to a related acquisition. It is assumed in these cases that it helps in the analysis of the acculturation process, revealing how the members of the acquiring and acquired companies respond to the leaders’ orientations.

2.2. The Differentiation Perspective: Subculture Manifestations in Acquisitions

An approach contrary to the homogenous and integrative corporate culture is characterised by differentiation and diversity within the organization. The differentiation perspective expects to find inconsistencies, lack of consensus and cultural sources other than leadership. This approach emphasises the importance of different sub-units, including groups and individuals that represent the internal and external influences of organization. Morgan (1986) argues that organizations are miniature societies, in which sub-groups or units have distinct ways of interpreting the dominant culture. They are sub-cultures formed when individuals have similar values, feelings and attitudes in relation to the norms or new managerial codes of conduct (MORGAN, 1986).

Today, the cultures of big corporations tend to present themselves as a miscellany of independent sub-cultures, in which distinct groups come together for specific functions. The existence of various teams, each with its own goals, indicates the presence of a differentiated cultural perspective in the organization. Consensus is low because its own different parts of the company preserve distinct objectives. There is an intense sense goal of commitment with the common values of the group and low convergence levels among the sub-groups (PAYNE, 2001).

The differentiation perspective assumes that people in different functions (finance, marketing, production, sales, etc.) will develop their own cultural elements since they work on related activities or have similar educational and professional backgrounds (TRIANDIS, 1995). This can be easily seen in more complex organizations. Parker (2000) found three sources of differentiation in organization case studies: 1) common professional and occupational membership, 2) those associated with time in service and age, 3) and those related to the geographic position and function in the workplace. In big corporations certain levels of differentiation persist among people performing the same
function – people with different educational levels together with people of different socio-economic levels, race, gender and ages, who pursue different sets of values.

During an acquisition process, differentiation may be reflected in the way functional groups perceive it. The formation of subcultures becomes more explicit when groups from the acquired companies have to perform their functions in an environment of hostility and constant threat. Production, purchase, distribution, accountancy, marketing and sales teams create their own private world and join forces against the implementation of fundamental change such as downsizing and reengineering (Deal; Kennedy, 1999). In an attempt to establish a meaningful work situation, the subcultures preserve their own norms and values against undesired intrusion. The groups start sharing common views, develop a consensus on tasks and end up by joining forces to defend themselves against the interferences of other cultures (Payne, 2001). In such cases, changes are less manageable, because each part of organization is engaged in preserving its own integrity.

An important distinction in the study of cultural differentiation concerns homogeneity and heterogeneity. Alvesson (2002) argues that hegemony in the workplace is supported by economic arrangements, stemming from rewarding schemes and cultural systems imposed by the defense of values embedded in corporate rules. Such conception favors the presence of a dominant group. The activities of both groups, dominant and dominated, are characterized as some sort of produced “consent”. Along the same lines, Wilmott (1993) rejects the idea that culture and cultural engineering are defined as pointing in the direction of hegemony. The author explores to what extent corporate culture programmes, that recommend the homogenisation of norms and values, are designed to deny or frustrate the development of an organization atmosphere.

Some academics defend the positive effects of heterogeneity in a workplace in terms of the contribution to the quality of the decision (Hoffman, 1979; Shaw, 1981; McGrath, 1984) or favor solutions to problems posed by the teams themselves (Hambrick; Davison; Snell; Snow, 1998). Research carried out with people in top positions provide similar results and confirms that the heterogeneity within executive groups is associated with the improvement of decision-making process (Banet; Jackson, 1989; Hambrick; Cho; Chen, 1996).

By contrast, a series of studies found negative performance effects on the part of heterogeneous groups. Unlike heterogeneity, homogeneity promotes integration, confidence and easy communication, bringing advantages to the implementation of actions (Tuckman, 1965; Ancona; Caldwell, 1992). For the present study, such questionings will be convenient to the analysis of relationship and receptiveness between
functional groups in acquisitions. Relationships can be the result of different organizational subcultures. Subculture manifestations vary concerning the levels of reaction to the decisions of corporate top management. In the enhancing subculture, a term coined by Louis (1985), the view of executives is reproduced in a rather exaggerated manner: “a team of fanatics”, “psychopaths” and “self-righteous people”. The counterculture, less aggressive, expresses its resistance to the dominating culture more openly. In its turn, the orthogonal subculture manifests quite neutral as regards the administration (GREGORY, 1983; VAN MAANEN; BARLEY, 1984).

The mapping of potential subcultures may help regenerate deteriorated organizational cultures. It identifies groups that share the same cultural features. Assuming that values of work are organised in line with individual and collective dimensions, it clarifies how the individuals interact with the social units (LORD; BROWN, 2001). The subcultures emerge from sectors, departments and divisions that cut through conventional functional lines, people who work in well-defined areas spend more time with colleagues with the same functional ends than the other workers. An organizational chart or even a mailing book containing the functional divisions may prove a good source of reference to bring together the existing subcultures.

2.3. The Fragmentation Perspective: Ambiguities in Acquisitions

The fragmentation perspective visualizes the organizational culture as uncertain in itself. The more the organizational reality is studied the clearer becomes the evidence suggesting an atmosphere of uncertainty. Like modern society, organizations are marked by ambiguity and it is up to the cultural perspective to contextualise it. Placing emphasis on ambiguity as the main characteristic of organizational culture would provide a counterpoint to the predominating idea of culture and subculture as entities that generate harmony and solve problems (ALVESSON, 2002). Fragmentation includes more than the ambiguity obtained from confusion; it also includes irreconcilable tensions between opposites, sometimes described as ironies, paradoxes, or contradictions (MARTIN, 2002).

In the integration and differentiation perspectives ambiguity is manageable. When the consensual and differentiated perspectives are brought together, inconsistencies and conflicts tend to be overlooked. Conversely, in fragmentation studies ambiguity is viewed as normal, remarkable and inevitable in the organizational functioning reality. The anomalies, the lack of clarity and the irreconcilable interpretations are, at the same time, accepted and legitimated. In organization,
Ambiguity results from certain characteristics of the environment that are quite confusing for the employee. Martin and Meyerson (1988) point out that distrust among the employees stems from the absence of organization commitment in the equal distribution of resources, benefits and opportunities for professional development. The rhetoric of equity is, in general, lost in confusion and contradiction. In a cultural context, ambiguity is not only the result of what happens in the world outside; it is also the result of the individual’s perception of what happens around them (Martin; Meyerson, 1988).

There are different views and definitions of ambiguity. One of them suggests that ambiguity can be understood as a multiplicity of realities, inevitable, and sometimes, positive (Feldman, 1991; Martin, 1992; Meyerson, 1994). Other definition sees ambiguity as a symptom of abnormality, difficult to be interpreted and solved due to its equivocated character, which reflects a lack of failure in communication (March; Olsen, 1976). Positive and negative statements lead to the belief that the interpretation of some dichotomy phenomenon will depend on the situation itself and varies from person to person.

The concept of ambiguity has not been neglected by the acquisitions literature. However, most of the time, it is seen to be an obstacle to post-acquisition integration. Jemison and Sitkin (1986), for instance, suggest detecting the various ambiguities emerging from the negotiation to prevent future performance risk. To the authors ambiguity in acquisitions becomes more intense in the period before the consolidation of the transaction. Threats can also be aggravated by conflicts between cultures (Chatterjee et al., 1992), resistance of employees (Buono; BOWDITCH, 1989) and vacuums of identity occurred by the loss-of-value syndrome (HASPESLAGH; JEMISON, 1991).

Ambiguity does not have to be taken exclusively as a barrier in acquisitions. The fragmentation perspective leads to the understanding that the situations usually taken as problematic are a result of a multiplicity of interpretations. Capturing the different ways individual interpret the acquisition process may helps the understanding of group’s and organization’s perspectives. An ambiguous approach might be useful for a new interpretation as well as a means to find contradictions and other individual differences caused by the event. Knowing the contradictory interpretations and other heterogeneities of the people involved in the process can help explain the collective meaning of the acquisition.
3. METHODOLOGY

The research approach used in this study was theory building from a case study and oral history methods. In line with the theoretical and methodological structure proposed in Figure 2, we assumed that organizational cultures could be understood by studying the dynamic between parent and received cultures, and by using oral traditions identified in the oral statements. The values, rituals, symbols and practices of individuals and work groups of the acquiring and acquired organizations should be considered in the post-acquisition phase. This conceptual scheme was defined to analyze, afterwards, the cultural transformations caused by the acquisition process.

In order to explore the divergences in the mingling of two organizational cultures in a related acquisition we studied the complex negotiation that generated the biggest flat steel corporation in Latin America. The option for this event was made owning to the fact of the abundance of the case details. First, because the companies – USIMINAS, the acquiring company, and COSIPA, the acquired company - operate within the same production segment, which is likely to lead to a more effective relationship after the purchase has been consolidated. The two steel companies were for a long time competitors in the rolled products market.

We interviewed elderly and retired employees that were involved in the beginning of the companies’ activities. Interviews were also arranged with the individual - presidents, directors, plant managers, advisors, managers, engineers and technicians - who had participated in common activities developed by the two organizations between 1993 and 2007. The sample was organized using the “snowball“ to select the interviews. As the respondents were interviewed, they suggested other people from both companies. The interviews finished when new statements no longer contributed significantly to the study. To understand the cultural difference between the organizations, open interviews were arranged. At the first moment, the idea was to encourage the organizational actors to describe their involvement in the construction or absorption of the corporate culture. In the second moment, their perception of the acquisition process was deeply explored. The selection totalized 97 interviewees, 49 from USIMINAS and 48 from the COSIPA.
FIGURE 2 - Historical model proposal to study cultural manifestations in acquisition process.

With the content analysis we identify the themes, using as a parameter, in the case of the cultural formation, the historical written materials of the organizations and the oral accounts of those who have been working in the companies since the beginning. So, to understand the cultural changes after the acquisition we analyze the narratives grouped in thematic related to the consensus, differentiation and ambiguities manifestations. In order to find out if the acquisition could be better understood knowing the dynamics of the three culture dimensions, we also observed the main events, the functional and regional differences and the consensual and discordant points emerged from the process.
4. RESULTS DISCUSSION

4.1. Usiminas and Cosipa’s cultural formation

The construction of an organization’s cultural universe is defined when its history and the history of its agents is retrieved. By understanding the culture of a company, it is possible to discern the actions and reactions of its members in a future process of integration with another organization (ERICSON; MELIN, 2015). In the USIMINAS and COSIPA case, the organizations, long-running competitors in the Brazilian flat steel segment, presented totally opposed trajectories in terms of their culture. The two steel companies established at the beginning of the 1960s, remained as state-owned companies until the 1990s, when they were privatized.

The acquiring company, USIMINAS, had the presence of a very active Japanese partner from the beginning of its operations. The steel company had been the first relevant investment of Japan in the world after the Second War. Throughout the company’s 40 years, the influence of the Japanese culture has had a very strong presence on its management, technology, values and rituals. This is supported by oral tradition statements collected in the interviews:

The Japanese were not only our partners but also our teachers. They were always very patient and knew how to teach. First they taught us how to think and make decisions. Brazilians are very quick to decide but then they don’t implement the decisions […]. They chose seven metallurgical engineers and sent them to Japan. That was how USIMINAS started, as a big family, with strict discipline, dedication to technological research, study and training. (Former USIMINAS president)

The Japanese culture is one of work, not only team work, but above all there is a belief that opinions come from consensus and start from the lower levels. How do you make decisions in the Japanese way? It is by using a consensual opinion that came from the lower levels. When you reach a decision it is practically a consensual decision within the group. We only work in teams. (Former USIMINAS director)

[…] in cultural terms we have been living for several years the same way, we have come from a Japanese system which is very closed, they are people who are very focused on transparency and performance, and that was transmitted to the USIMINAS staff and we keep doing it the same way. (USIMINAS manager 82)

It is rare in USIMINAS to have someone who stands out. You read research reports, research projects, there isn’t one single author, you don’t see so and so’s report, there is always a team. So, I think we were stimulated to do same, better saying, I am sure that was the case. (USIMINAS technician 93)

Many cultural aspects emanated from the Japanese, such as discipline, commitment, a sense of collectivism, celebration of operational rituals and focus on results are highly valued by the employees. Even as a state company, the organization placed great emphasis on specialist management and kept intact its technological structure, separating the operation function from the maintenance function.
Unlike USIMINAS, COSIPA, the acquired company, showed traits of a more fragmented culture, characterized by powerful political interference in its state-owned period. Each group appointed to administer the corporation denied or dismissed the achievements of previous administrations. The following statements reveal more troubled periods in COSIPA:

I experienced here a time when the General Assemblies called to appoint the company’s administrators were canceled by a last minute phone call. That way there was a great administrative discontinuity, some unheard of political influence - I’ve really never known anyone who’d witnessed such political interference as us here. As I was legally obliged, let’s put it like that, to do the job, I had to be present at those events. The company’s head offices were in the plant, and I always worked in São Paulo. Many times I would write the Assembly’s minutes only to change everything while going down the road. There were no cellular phones then, so the cars would be stopped at the toll gates and: “take out so-and-so’s name, put so-and so’s name instead”. It was something to make us wonder: how can this work? (COSIPA director’s advisor 94)

(…) imagine a fifteen-year-old child in whom you identify several inadequate behaviours, and you say: “gosh, how badly brought up this child is”. Then you investigate and find out that each of the fifteen years of his life was spent with a different family, I mean, this child in fact had several different upbringings. That’s what happened to COSIPA’s employee. Someone would come and say “it’s this way” and then “now it’s no longer this way, it’s that way”. In the same year we would have 4 presidents (COSIPA’s superintendent 77).

COSIPA had a succession of 18 presidents, an average of one president every two years until the date of its privatization. Conversely, USIMINAS had only 7 presidents over the same period of time. Another characteristic of COSIPA’s culture is that the top management lacked any qualifications in the steel sector, having been appointed for political reasons. This was a common feature among the presidents in charge of the company during its period of state ownership. In a typical populist style, COSIPA CEOs adopted management models whose focus was on human development and the improvement of the workplace atmosphere. Rather than being concerned with technical and operational issues, the executives provided the workers with an environment of social well being, to compensate the difficult work conditions of the industrial steel sector.

It would be impossible for an industrial organization, where political and union interests prevailed, to survive without a technical structure for steel production. In COSIPA we identified part of a technician’s team which tried to distance themselves from the manipulative behavior of those in top positions.

I think the technical staff always had a survival instinct. A way to survive this type of culture. We had to keep proving we were more capable, so that when we received a command, an order, and it was something you could see was wrong, you always needed to have the ability to demonstrate that it was not the correct way. There was always a feeling of let’s us say cooperation, not corporativism, but cooperation among lower level staff. Because those who assimilated - and there plenty who assimilated - were those who wanted to be on good terms with the administration or wanted to move up the administrative ladder. They would copy their superiors’ behaviour. And
Those, let’s put it like this, were outside this corporate group of technical staff who worked in cooperation (COSIPA’s superintendent 76).

(…) we would not give in, and that felt good, because the company’ technical staff had an amazing creative capacity. That company makes people fall in love with it. We had that… I think it is the ability to extemporize, that I don’t know what that makes you get milk from a stone. We managed to do things that the out-dated equipment wouldn’t have allowed us to do. I don’t think that was conformism, I would call it love for the company. There was an enormous dedication. (COSIPA technician 74)

There seemed to be two managements within one: one that kept the plant going and another that alternated in the administration. Due to this, some values and practices, such as being brave and standing up for the company in critical or irrecoverable situations were gradually incorporated, regardless of the constant changes in senior management.

4.2. Cultural manifestations after the acquisition

In order to analyse what occurred when these two companies joined, we identified the main events of the acquisition. The post-acquisition analysis comprehended two stages: the first corresponds to the period from 1993 (year of COSIPA’s privatization) to 1999, and the second, from 1999 to 2007. In 1993, USIMINAS, with a financial institution, acquired the controlling stake in COSIPA. The management was shared; USIMINAS was in charge of operational activities, while the bank took care of COSIPA finances. In the second stage, the period analyzed included the definite incorporation of COSIPA. In 1999, with the withdrawal of the financing institution, the USIMINAS group, in a financial negotiation known as dropdown, acquired 92% of COSIPA’s shares.

Among the main events in the first stage, running from privatization to dropdown, we identify: a) the first restructuring in COSIPA commanded by an external consultancy company, and b) the technical assistance provided by USIMINAS, contracted to meet the demands of COSIPA’s operational areas. The second phase is marked by COSIPA’s financial and corporate reform. With the dropdown, USIMINAS became the major partner in the company. During this period, there were two main events: a) the second functional restructuring, coordinated by the managers of the acquired company themselves, b) the execution of synergistic projects to mix specific areas and eliminate redundant operational functions.

The dynamics of the acquisition analysis was based on the decisions of USIMINAS’ top management in the two stages mentioned. USIMINAS president’s initial instruction was to apply some of their cultural values and practices in COSIPA. This way
the autonomy of the two organizations was preserved even after USIMINAS consolidated its position as exclusive owner. After that the instructions were for the promotion of further interaction between the organizational teams, in order to unify the common areas of the steel companies.

The investigation into how the two cultures manifest themselves focuses on the obstacles created by resistance to the efforts made to integrate the two organizations. Consequently, the statements that suggest a consensus over the top management proposals would be related to the integration perspective. The different positions of the organizational groups or subcultures on values and transmission of practices by USIMINAS are associated with the differentiation perspective. Fragmentation is reflected in the workers’ ambiguous positions and multiple interpretations of the event (ALVESON, 2002). This analysis took into consideration the differences between the two cultures and the distinctive aspects found in the interviews with individuals and groups in the two companies. Table 1 demonstrates the cultural manifestations concerning the USIMINAS and COSIPA case.

### Table 1

**Oral evidences of cultural manifestations in the Usiminas and Cosipa acquisition case**

<table>
<thead>
<tr>
<th>Perspectives/ Cultural manifestations</th>
<th>Integration</th>
<th>Differentiation (work groups and subcultures)</th>
<th>Fragmentation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>In both companies</strong></td>
<td>banker-partner’s withdrawal; preservation of local cultural aspects; formalization and involvement of top management in the activities of synergy projects.</td>
<td>sales people demanding a definition of their territory.</td>
<td>lack of definition of market segments for the Sales teams; differences in the structures of areas in the industrial sector lack of knowledge of the new corporate global structure.</td>
</tr>
<tr>
<td><strong>In the acquired company</strong></td>
<td>the company having been bought by people dealing in the same market segment; gradual changes announced by the acquiring company; one of the reforms in the company being conducted by the internal agents themselves.</td>
<td>Technicians questioning the fact of the acquiring company having been their long-running competitor once; managers and technicians criticizing, respectively, how the structural redefinition was conducted by external agents and the restructuring criteria.</td>
<td>feeling that the permanence of the acquiring company is only transitory; owner’s despotism mirrored in some attitudes of the members of the acquiring company; occupation of key positions by the acquiring company; different structure and specialist knowledge, particularly in the commercial area.</td>
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In the integration perspective, consistency does not necessarily mean respondents' unanimity, but indicates that the vast majority confirms a certain position assumed by the top management (MARTIN, 2002). The integrative approach makes it possible to identify the shared views of those who participate in the main events of the acquisition (BAUER, MATZLER). Among the indicators of integration, the consensus on the banker-partner's withdrawal indicates that, in this case, the withdrawal of a partner from a different core business contributes to the enhancement of integration when the shareholders are from the same market segment. The oral evidences below show how well accepted that withdrawal of the bank shareholder was:

I liked it when USIMINAS took over. I am not saying this here because they are the owners nowadays. Indeed, we have always seen USIMINAS within the Brazilian steel industry as a well administered company. Always! If you think about the Brazilian steel company history, USIMINAS was a kind of company which kept a low profile, doing its homework well, and it made profit. Even in the state-owned period it was able to do well, while COSIPA used to make the country suffer losses of US$ 1 million a day. The advantage that USIMINAS had was that it could be noticed that it was very organized and they worked in a very objective way. (COSIPA’s superintendent 26)

[…] COSIPA was very luck. It was acquired by people from the same sector. So, the technicians came to manage COSIPA, managers from the steel industry sector. It was favored by this aspect. You used to talk to people who understood the language, its needs and they used to have a business vision. In this aspect COSIPA was luck. (COSIPA’s manager 18)

[…] particularly, I was very glad because they [the acquiring company] were people from the sector and our biggest fear was to be bought by a person who didn’t belong to the steel sector. This was our biggest fear because it was an investment. You can imagine a bank buying us here, and it happened. But they left because steel industry isn’t a sector which has a fast financial return. It is a huge investment. (COSIPA’s manager 17)

[…] with Bozano’s [the shareholder bank] leaving there was a fully participation of COSIPA and USIMINAS financial area. In that time, I took over the financial board and we worked together to supply all of the financial needs for the COSIPA’s investment. There was a deep integration. We started to do reports and plans together. (COSIPA’s director 90)
Further studies are required to better understand the dysfunctions of management sharing in mergers and acquisitions involving companies from different sectors of industry. The preservation of local cultural aspects was another consensual point identified in our finding on the studies of Bauer and Matzler (2014). Most respondents recognized the importance of preserving regional customs. The localities where the two plants are situated have each their social habits, reflected, for instance, in the different time spent in traveling from the employees’ houses to the workplace, their choice of weekend leisure activities and the educational and professional backgrounds imposed by the distance and difficulty of access to education institutions. These characteristics are specific of each region and must be respected.

The third aspect related to the integration perspective is associated with synergy projects. The exchange of experiences and the meetings for technical discussion of best practices are perceived as opportunities for professional growth. In a related acquisition, regardless of the forms of integration and control imposed upon the acquired company, frank and open dialogue between the teams is necessary to allow the replacement of old practices with new ones. Formalizing the synergy process is another important issue. The planning, control and effective presence of the top management in the workplace activities indicate the relevance of the expected synergistic results.

Regarding the integration perspective in COSIPA, the gradual changes announced by USIMINAS and the restructuring in the company being conducted by the internal agents themselves are consensual issues pointed by the employees. The way USIMINAS conducted the restructuring was well received by COSIPA’s members because of the “anti-colonizing” attitude adopted in the acquisition. This gradual course of action differs from other approaches in the post-acquisition stage, which, in general, involve the occupation of key positions and drastic changes in the procedures assumed by the incorporated company. The speed and effect of restructuring in acquisitions and mergers have always been a dilemma for the organizations that use this strategy. A more aggressive approach intends to accelerate the changes in the acquired company. The reverse course of action promotes incremental adaptation, proposing instead progressive changes in procedures and in the occupation of key positions. Unlike the first restructuring in COSIPA, the subsequent one met less resistance from the staff. This was the other integration factor mentioned by COSIPA members, when they referred to the “non-surgical” method used by USIMINAS in the second restructuring. Instead of inviting outside agents, the top management decides to use COSIPA’s own managers to coordinate the functional reform.
The differentiation perspective allowed us to identify the functional groups’ interpretation in relation to some events. In USIMINAS, although the group of operational managers defended the use of patience and conversation in the integration activities, they were disturbed by the president’s intervention proposing COSIPA’s administrative independence. The decision of awarding autonomy to COSIPA restricts the effective interference of USIMINAS managers in the acquired company. This lead to a senseless waste of time in meetings of operational teams, since the exchange of experience wasn’t translated into action.

In COSIPA it was the technicians that were most uncomfortable with the announcement of the acquisition. Generally, those who are not in management positions are deeply affected by post-acquisition structural and functional reforms. The reforms motivated these employees to form groups and seek help from trade unions. Their fear was aggravated by downsizing and dismissals, typically applied in related acquisitions and also confirmed on the studies of Bauer and Matzler (2014). Some managerial groups in COSIPA were put in the uncomfortable situation imposed by the external consultant during the first restructuring, when they had to choose which workers would be laid off. This situation is expressed in the following oral evidence:

In fact, the consultancy company created a structure defined the number of staff for each department and the directors chose the superintendents and gave them a list: “here you are, your structure is this, there is only one name: yours. There is this list of people who work in this unit that you have to run. So you form your team from the people on the list. Chose your managers first and, together with them, chose your team. The remaining ones will have the opportunity to receive an incentive.” All of the workers were given the option of resignation and for all of them calculations were made, even for me – I received a statement showing me how much I would receive if I decided to quit (COSIPA’s superintendent 20).

The analyses from fragmentation perspective make it possible to identify the multiple interpretations that oppose the proposals for a new corporate format after the acquisition. One of the ambiguities found in USIMINAS, was the employees misunderstanding the apprehensions of COSIPA’s members about the possibility of losing their jobs. In the first meeting prior to the acquisition, there were conflicts between the members of the two companies, with COSIPA’s personnel accusing USIMINAS’s of being there to “take their jobs”. Some of USIMINAS employees were also puzzled by the passive resistance of COSIPA’s staff to interact with some work teams. Aspects of the two organizations’ history could justify these reactions: whereas USIMINAS had a tradition of exhaustive technical debates, COSIPA retained traces of the passive behavior of its state-owned period. This is the case concerning some of the feelings of the COSIPA’s employees when USIMINAS acquired this company in 1993. The extract below shows how the culture formation strongly influences the integration process:
We still had the feeling that this privatization wasn’t right. Not in that way. That way wasn’t the best way. So, at COSIPA there were still people throwing a tantrum and thinking that, as usual, the new changes wouldn’t work out and everything would be the same. This you could hear around the company. That means, when a president was replaced we had to move our places, functions and so one, just because of this new president: “oh! take it easy because soon [the president] will be fired and we will be back to the normal.” And it happened. Sometimes it used to take three months, another time one year. But this time [after USIMINAS acquisition] there were people who thought that some changes would happen. This restricted the company development (COSIPA’s superintendent 20).

The other fragment observed in the statements of USIMINAS members concerns the parochial view of the community, unions and personnel of COSIPA. These are situations that can occur if there is any type of rivalry between the regions where the companies are based. The following statements illustrate the difficult relations between the acquiring company’s employees and the local union:

At that time [after the acquisition] the unions were very strong. I have kept the union flyers from that period saying that we were foreign, that we were COSIPA’s exploiters. It didn’t happen only inside COSIPA. Even the union itself used to see us as those who were taking away their jobs, a big conflict really existed (USIMINAS technician 71).

[…] during the carnival, the union released a very famous carnival song with another version about the colonization. First, the Portuguese people came, then the United States and now it was the time of USIMINAS colonization. This with a pejorative meaning: USIMINAS is colonizing us (USIMINAS technician 51).

The fragmentation perspective also clarifies some inconsistencies in COSIPA. In the beginning, COSIPA’s people felt that the presence of USIMINAS was just temporary. This feeling can be explained if we recall the administrative turnover in the state-owned period, where the company had a permanent succession of presidents. This gave the employees a perception that everything was transitory. Other ambiguities were observed in sporadic occurrences of authority abuse by USIMINAS staff, generally expressed in reactions that emphasized their position as owners to justify certain attitudes. The occupation of key positions in COSIPA by USIMINAS employees also produced some confusion among COSIPA’s members, since the prevailing discourse was that of organizational autonomy.

The last fragment mentioned by COSIPA’s staff was the impact of cultural differences, especially, between the commercial areas of both organizations. The flexibility of COSIPA’s commercial structure clashed with the austerity of USIMINAS’s commercial sector. We can say that ignoring the companies’ operational differences during an interaction process may set up barriers to their joint operation in the market. The lack of definition of market segments for the sales teams, for example, was an indicator of fragmentation both for USIMINAS and COSIPA employees. Two other fragments where observed in the two organizations.
The first concerns the differences in the industrial structures. While USIMINAS has had an influence of Japanese maintenance culture in the steel work environment, COSIPA’s practice favored the operational mode. The literature on acquisitions offers no specific studies of the ideal structure of companies in the same sector after the incorporation. Our research shows that the way in which a culture was formed could either indicate change or justify the permanence of the original structure of an organization. The second fragment reveals the employees ignorance of the global structure of the new corporate system. Many times, with the acquisitions of companies, the group corporation becomes so complex that the person on the factory floor is unaware of what is going on in the other corporate units.

5. FINAL REMARKS

Some contributions may be extracted from this work. The historical contexts both anterior and posterior to the birth of the organizations have proved to be important to understand how the groups of parent and received cultures were constituted. Understanding how the received culture absorbs the values, practices, rituals and symbols of the parent culture in each organization has led to the clarification of factors that can contribute to stabilize or destabilize the integration of the companies after the acquisition process.

This paper represents a step forward by uncovering some of hidden dimensions of acquisitions using oral traditions and oral evidences. Understanding the dynamics of organizational formation and the different manifestations in the acquisition process are essential both to theorizing on acquisition as well as to management practice. The study can also amplify the discussions concerning the use of historical approaches in the organizational culture and acquisition literature.

The Usiminas/Cosipa case suggests that all three conditions – integration, differentiation and fragmentation were simultaneously present in the implementation activities to create synergies. From the point of view of integration there was a consensus of the workers from both companies concerning the preservation of the local cultural aspects. There was also a consensus on the top management involvement in synergy activities. The differentiation perspective allowed us to identify, for example, the functional groups’ interpretation of the autonomy awarded to the acquired company. From the fragmentation perspective it was possible to clarify inconsistencies related to employees’ resistance and other misunderstandings of the event.
While the integration perspective could be more convenient for managers as it shows agreements on their decisions, the ‘fragmentation’ perspective may be more useful to them in terms of addressing the conflicts that create problems in post-acquisition management. The interviews with employees suggest that sub-cultures were being formed. Production, purchase, distribution, accountancy, marketing and sales teams were creating their own private worlds and joining forces against the implementation of restructuring models such as downsizing and reengineering.

Although the description of a single case study may not be enough for a comprehensive analysis of the issue, this paper represents a step forward by uncovering some of the dimensions of acquisitions. Understanding hidden ways in which employees react to the acquisition process is relevant both to theorizing on acquisition and to management practice. The study can also help managers in the acquisition process by raising awareness of different interpretations.

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