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Corporate social responsibility and organizational culture in corporate restructuring

- The case of an insurance sector acquisition

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Summary

Companies are challenged today due to global turmoil related to economic and social upheaval. Therefore, companies are continuously looking for ways to differentiate and enforce their position in the markets in relation to competitors. Mergers and acquisitions (M&As) provide good solutions for companies to increase in size and pursue growth relatively fast. Since the financial crisis, year 2014 was a big year of M&As (www, PBS, 2015). Among others, transactions between Facebook and Whatsapp and Microsoft and Nokia Corporation's devices and services business unit have been greatly discussed. While companies are aggressively building their growth strategies, sustainability and responsibility issues are receiving increasing attention (Malik, 2014). Consequently, corporate social responsibility (CSR) can be recognized as an inescapable priority for today's companies (Porter & Kramer, 2006).

Regardless of the fact that mergers and acquisitions are regarded as good solutions for companies in reaching compeititive advantage and increasing in size, they have relatively high chances of failing. Orgnizational culture has been identified as key factor in enhacing the integration of two companies. All too often the cultural dimension is disregarded during the intergration and attention is directed towards financial issues. Organizational culture is also interconnected to the company's proclivity towards CSR as organizational culture reflects the personality or the feel of the company through values, beliefs and assumptions. These define the proclivity and ability of a company to conduct business either responsibly or irresponsibly (Galbreath, 2010).

Therefore, the aim of this study is to find out how the M&A process impacts CSR through organizational culture. The aim is approached from an acquisition perspective. More specifically the study pursues to find out how organizational culture is considered in the M&A process, how organizational culture has transformed as a result of the M&A transaction and, lastly, how CSR has transformed as a consequence of the M&A. To reach the aim and answers the research questions this study utilized a qualitative case study. An insurance sector acquisition in the Finnsh context was examined. Semi-structured interviews were utilized to collect primary data from eight employees connected to the acquisition in question.

The empirical case study demonstrates that the companies in the different parties of the acquisition demonstrate different kind of cultures and organizational characteristics but also share significant similarities in terms of size and industry. Consequently, the major conclusions are that organizational culture was considered in the acquisition in a very one-sided manner. Furhtermore, organizational culture did not transform or change permanently as a result of the acquisition. Finally, the study indicates that the CSR practises of the acquirer did not transform due to the acquisition. This study adds to the research field and gives ground for further research as no similar studies could be found.

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1 Introduction

The global turmoil related to economic and social upheaval is challenging the companies over the world. Therefore, companies are looking for diverse ways to enforce their position in relation to competitors. Moving fast and increasing size in the global business environment have become the most widespread solutions and necessary norms in global business (Lin & Wei, 2006). Mergers and acquisitions are conceptualized as a business strategy that allows the companies to pursue growth (Golja & Morena, 2012). As a consequence, year 2014 has been called as the big year of mergers and acquisitions in the media (www, TheStreet, 2015). According to PBS, in 2014 global mergers and acquisitions reached the highest point since the global financial crisis (www, PBS, 2015). Forbes has mentioned the mergers and acquisitions between, for instance, Facebook Inc. and WhatsApp Inc., Novartis AG and GlaxoSmithKline Plc. as few of the biggest announced mergers and acquisitions in 2014. Another greatly discussed merger in 2014 was the transaction between Microsoft Corporation and Nokia Corporation's devices and services business section.

Schmid *et al*. (2012) describe mergers and acquisitions to generate both opportunities and challenges for companies. Opportunities as a rapid way to grow and increase profits, revenues and assets that allow the companies to pursue, for example, the market leader position (Golja & Morena, 2012). The competitive abilities of a company will increase through for instance attained resources and capacities from the counterpart of the merger or acquisition (*Ibid*). The M&A strategy is often utilized to expand to new markets, diversify products and services and to reach a broader clientele and resources relatively fast (*Ibid*). Therefore, the primary focus is inevitably to maximize shareholder value (Borglund, 2012 in Anderson *et al*., 2012).

Challenges related to M&A process are related to identifying the right company to merge or acquire so that there is a fit among cultures, strategy and the structure (Schmid *et al*., 2012; Schraeder & Self, 2003). Other challenges related to the M&A process are, for example, the multiple phases that are often unevenly paid attention to, distorted assumptions and underestimation of biases along the process (Schmid *et al.,* 2012).

As the companies are furiously building and pursuing M&As as their growth strategies, sustainability and responsibility issues related to the surrounding community are receiving increasing attention from the press and a diverse group of stakeholders – both negative and positive (Malik, 2014). Such stakeholders are for instance employees, suppliers, customers, future generations and community organizations (*Ibid*). Already in 2006 Porter and Kramer recognized corporate social responsibility (CSR) as an inescapable priority for companies. Ignoring the CSR dimensions can lead to far reaching implications for businesses as CSR actions influence on the company's stakeholders (Sprinkle & Maines, 2010).

This has led to the situation where companies are simultaneously evaluating and improving their economic, environmental and social impacts (Arevalo *et al*., 2011). Consequently, CSR has indisputably transformed into a strategic priority for companies operating in different sectors, industries and geographical areas (Arevalo *et al*., 2011; Galbreath, 2010). This means that CSR has evolved from confined discussions of small academic groups to a complex concept that is addressed in today's corporate decision making (Cochran, 2007).

Hence, a change can be noticed how CSR is perceived and grasped in the companies. Among others, companies are introducing activities that focus on the welfare of the stakeholder groups (Sprinkle & Maines, 2010). Such activities consist of, for instance, donating money and products to charity, offering volunteering possibilities for their employees, providing health support for employees, complying with codes of conduct that concentrate on, for example, gender equality and fair business practises and activities that aim at meeting the needs and protecting the future generations living standards by producing in an environmentally friendly manner more environmentally friendly products (*Ibid*). In addition, companies have launced diverse CSR programmes to frame their CSR activities. Certification of products and processes is also a part of companies' endeavours to contribute to CSR and become more sustainable and to make a difference. These examples are just a short summary of the numerous possibilities and ways for companies to contribute to CSR. This suggests that companies are incorporating softer values and aims, in addition to the purely economical motives, and embracing a company culture which takes into account the diverse group of stakeholders a company has (Linnenluecke & Griffiths, 2010).

1. 1 Problem background

Corporate culture is a fundamental part of a company and it can be said to represent the character of a company (Schrader and Self, 2003). The values, beliefs, assumptions, ideologies and ways of doing things are in essence when corporate culture is defined (Linnenluecke and Griffiths, 2010). Naturally, companies represent their own distinct corporate cultures that vary according to, for instance, country context, the age or history, size and industry of a company.

According to Hirsch (2015) and Weber and Tarba (2012) it is common knowledge that mergers and acquisitions have relatively high chances of failing. Researchers agree that corporate culture is a key factor facilitating the integration of two organizations (Weber & Tarba, 2012; Linnenluecke & Griffiths, 2010). Buono *et al*. (1985, 478) view a merger process as "*…an attempt to combine different organizational cultures*". Despite of this, the cultural dimension in the decision-making process is often neglected (Weber & Tarba, 2012), and the focus is directed more at financial issues during the M&A.

Hirsch (2015) describes that cultural problems arise from the elusive definition and essence of organizational culture. Even companies, that are aware of and understand the importance of organizational culture in the M&A process, often lack a comprehensive approach for hadling the cultural factor (*Ibid*). Therefore, a concrete process is needed to elucidate organizational culture as a component of the M&A process (*Ibid*).

Researchers such as Galbreath (2010) and Kalyar *et al.* (2013) have succeeded in generating findings that support an interconnection between organizational culture and a company's proclivity towards CSR. Baumgartner (2009) and Jaakson *et al*., (2009) share an aligning inference, as a result of their research. According to Galbreath (2010) organizational culture reflects the personality or the feel of the company through entrenched values, beliefs and assumptions. These are espoused and manifested through employee behaviours and decision-making and, consequently, define the proclivity and ability of a company to conduct business operations either responsibly or irresponsibly (*Ibid*).

More specifically, a factor influencing in a company's proclivity towards CSR is the orientation of the organizational culture (Galbreath, 2010; Maignan *et al*., 1999). Dimensions such as intensity and direction of company culture determine how the organizaitonal members think and behave towards other people and tasks (Galbreath, 2010). As a consequence, in humanistic cultures the organizational members focus on people, teamwork, cooperation and sensitivity towards others, not only on them selves (Kalyar *et al.,* 2013). Meaning that the organizational members demonstrate concern and interest also towards the needs, interests and demands of external stakeholders such as customers and the nature, instead of concentrating solely on their own needs (Galbreath, 2010). Caring and concerning for the needs, interests and demands of both internal and external stakeholders comply exactly with the principle of sustainability and CSR.

1.2 Problem

Companies are currently contributing to CSR through numerous activities, individual CSR programs and initiatives that contribute to the company's stakeholders' needs, interests and demands (Sprinkle & Maines, 2010). At the same time companies are engaging into M&As to grow and expand the business rapidly. Yet, over half of the performed mergers and acquisitions are reported to fail (e.g. Bauer & Matzler, 2014) due to a strong focus on, for instance, financial issues causing organizational culture to remain as a neglected issue. This may lead to a situation where cultures of the joining companies do not align, instead, lead to a cultural collusion (Schraeder & Self, 2003). As organizational culture defines the proclivity and ability of a company to conduct business operations either responsibly or irresponsibly, questions concerning the hereafter of CSR in the context of M&As have become interesting.

1.3 Aim

The aim of this study is to find out how the M&A process impacts CSR through organizational culture. In order to reach the aim the following research questions are to be answered:

- *How was organizational culture considered in the acquisition process?*

- *How, if at all, has organizational culture in the acquiring firm transformed as a result of the acquisition?*

- *How, if at all, has CSR transformed as a consequence of the acquisition?*

1.4 Delimitations

Existing literature often addressess M&As jointly and infrequently distinguishes them from eachother. As the case study company for this thesis conducted an acquisition, this study will provide insights to the reserach aim and reserach questions from the perspective of an acquisition. Yet, the theoretical perspective of this study comprises of literature that does not distinguish mergers and acquisitions from eachother.

This thesis concentrates on CSR and corporate culture in the acquisition process therefore the financial success concerning the outcome will not be addressed. Addressing these issues in this study would bypass the aim of this study and would not bring any additional value to conclusion. Also the motivation or the strategic decision to merge or acquire will not be studied. The motivation to merge or acquire are not relevant issues concerning the aim of the study. In addition, information concerning the financials and the strategic issues can be considered sensitive to the companies and might be very difficult to access.

The stakeholder group that will be interviewed for this study is limited to the employees of the acquiring company. Therefore, other stakeholders such as possible customers or suppliers will not be interviewed. This information would not bring any significant additional information concerning the analysis or conclusions because this study has a company perspective and often the issues concerning the M&A process are kept within the company and consumers and suppliers are being communicated about other issues than the integration of corporate culture and conflicts in corporate culture. If this study had an external stakeholder perspective then interviewing customers or suppliers would give the desired outcome.

For this study the choice of interviewed company is limited to a large company. Small companies can sometimes be characterized as the brainchildren of the founders of the companies. The CEO can be the founder of the company while also being the chairman of the board. In such situations company culture may align with the personal opinion and judgment of one person on values, beliefs, assumptions, ideologies and ways of doing things. According to Stewart *et al.* (1999) entrepreneurs can be divided into entrepreneurs and small business owners. Entrepreneurs are focused on profit and growth of their ventures that is achieved through strategic planning (*Ibid*). Small business owners are more focused on providing for their families and the company often represents an extension of the owner's personal goals (*Ibid*). Studying corporate culture and CSR in M&A situation in small companies would potentially give an impression of the personal attitudes of the small business owners towards CSR.

1.5 Outline

This study comprises of seven chapters. Chapter one introduces the research problem, aim and research questions. Additionally, the delimitations of this study are addressed. Chapter two gives an overwiev of literature and presents the theoretical framework for this study. The third chapter presents the research method used in this study and explains why such choices were. Furthermore, reliability and validity of this study are discussed and research ethics is addressed. Chapter four provides an empirical background for this empirical study. First an overview of CSR in the Finnish context is given and then a general introduction of the case study company is provided. The CSR and social responsibility practises of the case study company are also reviewed. The fifth chapter gives an outlook of the empirical study. The chapter starts with an introduction of the acquisition, then organizational culture in the acquisition is covered and finally CSR is reviewed in the acquisition. Chapter six contains analysis and discussion based on the results presented in chapter five. Finally, chapter seven compiles results of this study.

2 Theoretical framework and literature review

This chapter presents relevant theories and models to the research topic at hand. Simultaneously, literature is viewed regarding the research topic. First mergers and acquisitions are introduced and then an introduction to organizational culture and CSR are provided. Additionally, the role of organizational culture in M&As is established and the connection between CSR and organizational culture is clarified. A theoretical synthesis concludes this chapter by gathering the theories and models that will be used in latter parts of this study.

2.1 Mergers and acquisitions as organizational change

”*Actions taken to expand or contract a firm's basic operations or fundamentally change its asset or financial structure…”* is how DePamphilis (2005, 5) refers to corporate restructuring. This refers to diverse activities that range from reorganizing business units to takeovers and divestitures (DePamphilis 2005, 5) supplemented by mergers and acquisitions (Bowman & Singh, 1993). A merger is a process where a new legal entity is established from the assets of two separate companies (Buckley & Ghauri, 2002, 1). An acquisition can be determined as a transfer of the controlling ownership of a company to another (*Ibid*). In an acquisition the acquirer company continues to exist as a subsidiary, whereas, a merger leads to the formation of a new entity that can lead to the ceasing of one or both of the merging firms (DePamphilis, 2005, 6). Both mergers and acquisitions can realize between domestic companies or across boarders.

M&As are known as strategic decisions (Schmid et al., 2012; Meckl, 2004; Buckley & Ghauri, 2002, 1) to pursue for competitive advantage (Caiazza & Volpe, 2012; James, 2002). The motives for M&As are generally discussed within literature. The main motives culminate around maintaining or increasing the company's market share and increasing shareholder value (e.g. Nguyen & Kleiner, 2003; Schraeder & Self, 2003).

Within literature authors define the M&A process in various ways and use versatile terminology to denote to the process and the stages. For instance, DePamphilis (2005, 134) divides the M&A process into planning and implementation stages and several sub activities. Meckl (2004) views M&A as a distinct process. The tasks and contents of the process are varying and specific in nature (*Ibid*). Meckl (2004) divides the process in three phases; preparatory, transaction and integration. Figure 1 elaborates this division and states the main activities of the phases and the demands on the organisation.

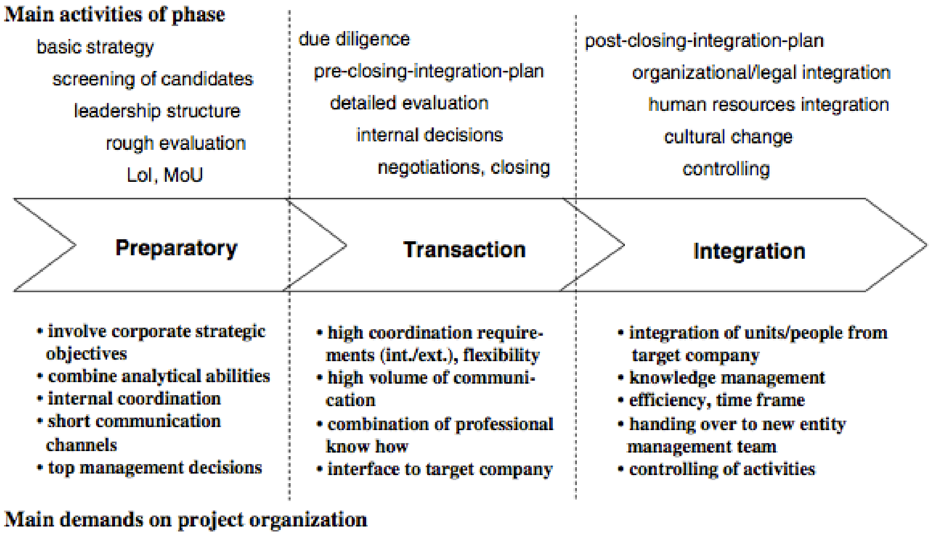

Figure 1. The Three phases of the M&A process (Meckl, 2004, 457).

The integration process can be characterised as fitting the capabilities of the merging companies together to use the existing capabilities efficiently (Epstein, 2004; Datta, 1991). In figure 1 the main activities in this phase include implementing a post-merger plan, integrating the organizations and the HR departments and initiating a cultural change and controlling all the processes. The integration phase is one of the critical phases of the M&A process (Kato & Schoenberg, 2014).

Cartwright and Schoenberg (2006) identify M&As as a complex phenomenon. Consequently, researchers have indicated a wide interest to the phenomenon and studied it from a comprehensive perspective of management disciplines. The management discipline has been studied from financial, strategic, behavioural, operational and cross-cultural aspects (Cartwright & Schoenberg, 2006) and the conducted research indicates a growing interest to the cultural aspect of M&As.

Similarly, a high failure rate that indicates the failure of over half of the implemented M&As has been acknowledged among researchers (Bauer & Matzler, 2014; Teerikangas & Very, 2006; Nguyen & Kleiner, 2003; Buckley & Ghauri, 2002). Poor cultural fit or inadequate cultural compatibility have been identified among some of the contributors for M&A failures (Cartwright & Schoenberg, 2006). In addition, Nguyen and Kleiner (2003) list inadequate managing of the process, lack of clear strategy and vision and communication delays as other contributors for M&A failures. More specifically, the cultural factors seem to be overlooked in the decision-making process (Weber & Tarba, 2012; Marks & Mirvis, 2011; Stahl & Voigt, 2008). Therefore, next organizational culture will be addressed in connection to the merger and acquisition process after a careful conceptualization of organizational culture.

2.2 Organizational culture

This section provides an introduction to organizational culture as a research field and gives conceptualizations of organizational culture. Additionally, organizational culture is connected to M&As.

2.2.1 Introduction to organizational culture

In literature organizational culture is interchangeably addressed as corporate culture. A common observation among researchers is the fact that there is no exact definition or consensus of the definition of organizational culture (Weber & Tarba, 2012; Brown, 1998, 7; Deshpande & Webster, 1989). Alvesson (2002, 3) recognizes enormous variation in the existing definitions. The reason for such variation comes from the abundance of scientific disciplines and conducted research related to organizational culture (*Ibid*). Therefore, the field is heterogeneous (Alvesson, 2002, 3; Ouchi & Wilkins, 1985).

Previously, culture was not seen as a contributor in an organization (Deshpande & Webster, 1989). In the mid 1970s, an interest towards the concept of culture accompanying organizational functioning emerged, because, the traditional organization models did not explain the inconsistencies between the desired organizational goals and the actual outcomes (*Ibid*). A boom in corporate culture research can be detected in the early 1980s (Alvesson, 2002, 6). This can be connected with the advancements in production technologies and the demands for more efficient organizational structures, as well as, with the need to incorporate the employees changing values and life-styles to align with company values (Alvesson, 2002, 7). Nowadays contemporary organizations consider corporate culture as a crucial issue, however, a deeper understanding of corporate culture is lacking (Alvesson, 2002, 1). Therefore, organizational culture remains as an interesting topic among academics and practitioners (Alvesson, 2002, 6) and is a key area of management and organizational studies (Alvesson, 2002, 14).

2.2.2 Defining organizational culture

Schein (1984) refers to organizational culture as "*…the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems*". Similarly, Alvesson (2002, 3) describes organizational culture as an umbrella concept because it encompasses cultural and symbolic phenomena together with values and assumptions about social reality. It is a factor that clarifies behaviour, social events, institutions and processes and gives them a meaning (Alvesson, 2002, 4). In short, symbols and meanings are in the focus when seeking a clarification for organizational culture (Alvesson, 2002, 3). Alvesson (2002, 14) further elaborates Schein's conceptualization of organizational culture by referring to organizational culture as a phenomenon that requires a deeper-level understanding, non-conscious set of meanings, ideas and symbolism. Interpretation and deciphering are essential in conceptualizing organizational culture, however, there is no formula or model for such activities (*Ibid*). In other words, there is no actual model or exact definition for organizational culture that can be applied uniformly.

In a cultural context, a meaning is a socially shared way of interpreting an object or an issue (Alvesson, 2002, 4). As an example, when interpreting a rule the cultural aspect gives the rule an exact meaning and determines how strictly and uniformly the rule is to be adhered (*Ibid*). Therefore, in different organizational cultures the same rule might get a distinct interpretation that leads to different behaviour and consequences as the meaning guides thinking, feeling and acting (Alvesson, 2002, 5). A symbol is an object that may represent, for instance, a word, a statement or an action that has another meaning than the object itself (Alvesson, 2002, 4). Similarly, symbols may be interpreted differently in different cultural contexts.

As there is no consensus on the definition of organizational culture, many researchers have separating views and approaches to culture and the organization (Alvesson, 2002, 38; Deshpande & Webster, 1989; Smircich, 1983). Smircich (1983) identifies two distinct ways how researchers view culture and the organization. On one hand, culture can be seen as a metaphor for an organization and as something that an organization is (Smircich, 1983). On the other hand, culture can be conceptualized as an independent variable of the organization and something that the organization has (*Ibid*). Other ways of conceptualizing organizational culture exist, but according to Alvesson (2002, 38) conceptualizing culture as a variable or a metaphor for the organization rather represent the two extremes.

A metaphor is used to clarify the functioning of a system with a recognisable term that is more familiar in another context (Brown, 1998, 10). In other words, the view point and perception of one object is applied to another to reach an understanding (Alvesson, 2002, 17). As an example, a pyramid is often used as a metaphor for an organization (*Ibid*). Another metaphor for an organization is the machine metaphor, that is used by for instance by Morgan (1980). When culture is conceptualized as a metaphor for the organization, culture is not a tangible object or a separate measure but an aspect that helps us to understand the organization (Brown, 1998, 10). Furthermore, this means that culture is involved in every aspect of an organization (*Ibid*). The cultural dimension is involved and reproduced in formal organizational structures, plans and administration activities (Alvesson, 2002, 26). Figure 2 clarifies culture as a metaphor view.

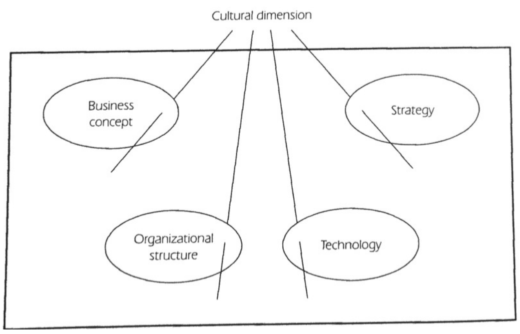

Figure 2. Culture as metaphor (Alvesson, 2002, 26).

When culture is treated as a variable the organization generates cultural traits aside of the goods and services (Alvesson, 2002, 24). Such cultural traits are for instance values, norms, rituals, ceremonies and verbal expressions that influence the behaviour of individuals within the organization (*Ibid*). Figure 3 depicts how culture is seen as a detached system within an organization and how it influences in the balance and effectiveness of an organization (Alvesson, 2002, 24).

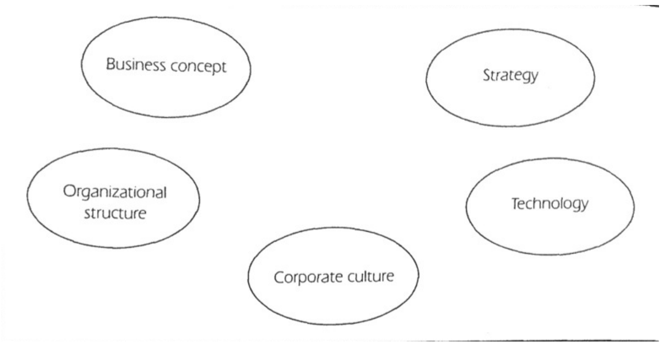

Figure 3. Culture as variable (Alvesson, 2002, 26).

2.2.3 Different levels of organizational culture

Besides a definition of organizational culture Schein (1984) introduces a model of how culture evolves and changes within an organization and how it is passed on amongst the members of the organization. This model divides organizational culture into three different levels: visible artefacts, values and underlying assumptions (Schein, 1984). Figure 4 depicts these levels.

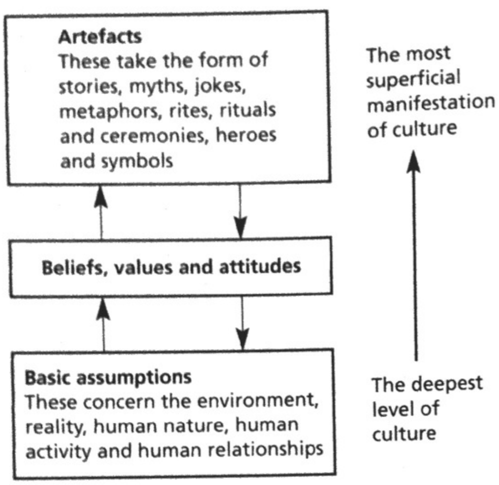

Figure 4. The levels of culture and the interaction of the levels (Brown, 1998, 12).

Visible artefacts are the noticeable and shallow displays of culture (Brown, 1998, 12). Artefacts refer to the physical and social environment of the organization (*Ibid*). This level of organizational culture describes how the organization culture constructs and what behaviour is characteristic for members of the organization (*Ibid*). Whereas, values determine why the members behave as they do and govern the behaviour (Schein, 1984). The underlying assumptions represent the underlying reasons for people's behaviour. These assumptions refer to the unconscious assumptions that steer people's perceptions, feelings and thinking (Schein, 1984). To conclude, culture is always constantly altering and restructuring within an organization (*Ibid*).

2.2.4 Organizational culture in mergers and acquisitions

The desired outcome of M&As is to create synergy by actions such as transferring capabilities, sharing resources and learning that lead to economies of scale, enhancement of distribution channels and cost reductions, in other words, creating value that either of the parties cannot achieve alone (Stahl & Voigt, 2008). As already mentioned in section 1.1, over half of the M&As end up reporting failure (Bauer & Matzler, 2014; Teerikangas &Very, 2006). Researchers indicate that, among others, culture can be connected to poor M&A performance (Weber &Tarba, 2012) because cultural incompatibilities are identified to contribute to the M&A performance in a negative manner (Stahl &Voigt, 2008; Stinchcomb & Ordaz, 2007; Cartwright & Schoenberg, 2006; Cartwright & Cooper, 1993).

Organizational culture is unique for every organization (Buono *et al*., 1985) and functions as social glue among the members of the organization (Cartwright & Cooper, 1993). The members, such as employees and managers, disclose and manifest the characteristic organizational culture. Behaviour, ways of doing things, common values, beliefs and deeply rooted assumptions are the displays of specific and unique organizational cultures (Buono *et al*., 1985). Therefore, organizational culture is the core and source of uniqueness of the most robust and thriving companies (Stinchcomb & Ordaz, 2007). Regardless of this, the roles of the people and culture are frequently overlooked in the M&A process (Cartwright & Cooper, 1993). Cartwright and Cooper (1993) also stress the fact that success of a company is dependent on human synergy.

Schraeder and Self (2003) and Cartwright and Cooper (1993) state that connecting and uniting distinct cultures is a challenge. The separate cultures can represent two extremes by cultural characteristics that can lead to a cultural collusion during the M&A process (Cartwright & Cooper, 1993; Buono *et al.,* 1985). Nahavandi and Malekzadeh (1988) also recognize that, in addition to a dominant culture, companies have subcultures that coexist and interact and can cause difficulties during the M&A. The process when two distinct and unique organizational cultures are brought together is called acculturation (Sarala, 2010). Dauber (2012) recognizes different typologies of acculturation within M&A literature. Companies are recognized to deploy four different acculturation strategies when uniting cultures in the M&A process.

According to Dauber (2012) the most commonly used typology of acculturation strategies is by Nahavandi and Malekzadeh (1988). The four strategies, integration, assimilation, separation and marginalization, characterise how the distinctive cultures are adapted or fitted to each other and how the possible conflicts are resolved (Nahavandi & Malekzadeh, 1988). Integration strategy strives to adapt both parties, the acquirer and the acquiree, and their cultural characteristics to each other and the goal is to form a third organization that constructs of shared and new elements (Dauber, 2012). Assimilation is a contrasting strategy for integration and stands for complete adoption of the identity and culture of the acquirer so that elements and features of the acquiree remain unrecognized (*Ibid*). In separation strategy the groups will remain as independent units and almost no cultural exchange occurs between the groups (Nahavandi & Malekzadeh, 1988). Whereas, deploying marginalization strategy means that the acquirer is only interested in the assets of the acquiree instead of being interested in the company as a whole (Dauber, 2012). In addition, deploying an acculturation strategy requires managing and planning to support the strategy.

Consequently, managing and planning have appeared in literature as the ways or tools to moderate the possible cultural collusion and integrating distinct organizational cultures in the M&A process (Schmid *et al*., 2012; Weber & Tarba, 2012; Stahl & Voigt, 2008; Teerikangas & Very, 2006; Schraeder & Self, 2003; Cartwright & Cooper, 1993). Management can be recognized as a factor that facilitates and increases the extent to which synergies realize (Stinchcomb & Ordaz, 2007; Cartwright & Cooper, 1993). Regardless of the importance of management practises, Weber and Tarba (2012) denote that management of cross-cultural factors is often ignored in the M&A process in those companies that report failure. Companies, especially acquirers, seem to use more resources on legal and financial matters in the M&A process than on management and planning (Schmid *et al*., 2012). However, structural integration appears to be inadequate when turning M&As into worthwhile deals (Dauber, 2012). Therefore, human or social integration is necessary to complement structural integration (*Ibid*). Schraeder & Self (2003, 522) provide the following strategies to enhance human or social integration and M&A success:

- Considering or assessing cultural compatibility
- Anticipating employee reactions
- Planning for possible task challenges
- Developing flexible and comprehensive integration plan
- Sharing information and encouraging communication
- Encouraging employee participation and involvement
- Enhancing commitment by establishing relationships and building trust
- Managing the transition through training, support and socialization
- Being sensitive to individual and timing considerations

(list adapted from Schraeder & Self, 2003, 522)

The management practises of the M&A process are distinctive. Cartwright and Cooper (1993) identify the management practises of the M&A process generally as reactive. However, by taking a proactive approach, conducting due diligence concerning also the cultural dimensions and planning accordingly, the cultural differences can be facilitated effectively to minimize the cultural collusion and facilitate acculturation (*Ibid*). All things considered, a harmonious organizational culture is worth achieving because it contributes to the overall success of the company.

2.3 Corporate social responsibility

This section provides a conceptualization of corporate social responsibility (CSR) and the stakeholder approach to further elaborate CSR is provided. Additionally, the connection between organizational culture and CSR is demonstrated.

2.3.1 Conceptualization of corporate social responsibility

Definitions of more humane, ethical and transparent ways of doing business are being created as a result of intensive debate among academics and practitioners (Marrewjik, 2003). As a result Marrewjik (2003) lists concepts such as sustainable development, corporate citizenship, sustainable entrepreneurship, Triple Bottom Line, business ethics and corporate social responsibility (further addressed as CSR)[1]. CSR as a concept has especially been thoroughly discussed, defined and criticised (*Ibid*). Regardless of this, CSR is a concept that still remains without one universally accepted definition (Dahlsrud, 2008; Whitehouse, 2006), on the contrary, literature offers diverse conceptualizations (Jamali, 2008). Some researchers even refer to CSR as a difficult concept to define (Peloza & Shang, 2010). Matten (2006, in Henningfeldt *et al*., 2006, 4) mentions the plethora and heterogeneity of actors, such as political actors, practitioners and academics, involved in the CSR world as a key contributors for the diverse conceptualizations of CSR. Corporate sustainability is an adjacent term to CSR and it is often used interchangeably with CSR (Sprinkle & Maines, 2010; Marrewjik, 2003).

Dahlsrud (2008) investigated 37 different definitions of CSR and identified five evident and central dimensions to CSR among the definitions - stakeholder, social, economic, voluntariness and environment. This outcome supports the fact that a company has also other than solely economic responsibilities. Dahlsrud (2008) uncovered that the most commonly cited definition of CSR is constructed as "*A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*." by Commission of the European Communities (2001, 6). In a narrow sense a stakeholder represents a group or an individual who the company has an influence on through operations (Freeman, 1984, 46). Thus, as an example people, employees, customers, neighbourhoods, organizations, societies and the natural environment all represent stakeholders to various companies (Mitchell *et al*., 1997). The stakeholder approach will be further addressed in the following section.

The reasons why companies decide to engage in CSR are diversified. Galbreath (2010), Sprinkle and Maines (2010) and Falck and Heiblich (2007) comprehend CSR as a strategic dimension. Achieving long-term profitability and cost savings, avoiding negative publicity, employee motivation and retention, increasing consumer appeal, attracting investors and achieving acceptance from the society are just some reasons why companies engage into CSR (Sprinkle & Maines, 2010). Porter and Kramer (2006) also recognize CSR as platform for opportunity and innovation. Often the reasons why companies engage in CSR can be divided into economic, managerial, ethical and political drivers (Matten, 2006, in Henningfeld *et al*., 2006, 40). Content customers and employees and the wellbeing of the surrounding community contributes positively back to the company (*Ibid*, 9). Therefore, CSR also translates as a value adding activity for both shareholders and stakeholders (Peloza & Shang, 2010). Porter and Kramer (2010) introduce a creating share value (CSV) concept that further emphasizes the interconnected relationship of "*… practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operate*s".

The actions that create added value and contribute to CSR are very diverse. Companies also tend to choose their CSR activities according to their stakeholders to maximize their benefits (Spiller, 2000; Lamberti & Lettieri, 2009). Fair employee compensation, employee safety, green production practises, policies, declarations against animal testing, creating codes of conduct for cooperating partners, philanthropy and anticorruption practises are amongst the diverse set of CSR actions (Malik, 2014; Sprinkle & Maines, 2010). These actions are

[1] Accordingly, in latter parts of this study terms such as CSR, social responsibility and corporate responsibility are used interchangeably.

regularly communicated and represented in annual CSR reports and on company websites (Belz & Peattie, 2012, 33).

The diversity of the CSR definitions also reaches to the theoretical grounding of CSR. As stated above a company has also other than economic responsibilities. This view is supported by the triple bottom line (TBL) thinking by Elkington. The TBL thinking aligns that a company has social and environmental responsibilities in addition to the traditional economic responsibility (Matten, 2006, in Henningfeld *et al*., 2006, 27). Furthermore, another frequently cited model of CSR is the Four-Part Model of Corporate Social Responsibility by Carroll. Authors such as Jamali (2008), Matten (2006, in Henningfeld *et al*., 2006, 6) and Garriga and Mele (2004) bring up the model as a traditional conceptualization of CSR. It regards CSR as a multi-layered pyramid concept complemented by interrelated and consecutive responsibilities – economic, legal, ethical and philanthropic (Matten, 2006, in Henningfeld *et al*. 2006, 6). After all, these two theoretical approaches already portray the multifaceted theoretical grounding for CSR. The most commonly connected theoretical framework to CSR is stakeholder theory (Jamali, 2008; Matten, 2006, in Henningfeldt *et al*., 2006, 16). Stakeholder theory will be examined closer in the next section.

2.3.2 Stakeholder approach

Stakeholder as a concept was introduced for the first time in literature in 1963 (Freeman *et al*., 2010, 30). It wasn't until the mid 1980s when the stakeholder discussion activated due to Edward Freeman's publication in 1984 (Jamali, 2008). Authors such as Jamali (2008) and Donaldson and Preston (1995) consider Freeman as an important contributor to the stakeholder literature. Consequently, Freeman (1984, 46) defines a stakeholder as "…*any group or individual who can affect or is affected by the achievement of the organization's objectives*". Mitchell *et al*. (1997) further elaborate stakeholders to comprise of, for instance, customers, employees, suppliers, government, local communities, environmental organizations and environment.

The stakeholder approach steps away from Friedman's idea of profit maximization and incorporates the needs and interests of non-profit stakeholders to management visions (Mitchell *et al*., 1997). This leads to an alternative way of organizing the organizational responsibilities (Jamali, 2008). Mitchell *et al*. (1997) separate stakeholder approach and stakeholder theory with the distinction that stakeholder theory aims at determining which stakeholders should be considered important to the company, whereas, stakeholder approach concentrates on incorporating additional responsibilities to the company's agenda than merely profit maximization for shareholders.

The stakeholder model in Figure 5 portrays the two-way relationship between the company and the stakeholders and places the company in the middle. As the responsibilities of a company are extended to incorporate the rights and need of the stakeholders the management style has to adapt to the new responsibilities (Crane & Matten, 2004, 53). Figure 5 introduces a simple stakeholder model, however, stakeholders may have responsibilities and duties to their own set of stakeholders and other stakeholders of the firm. Therefore, the stakeholder relationships can be described to occur additionally in a network pattern (Crane & Matten, 2004, 52). This inherently imposes challenges to the management approach.

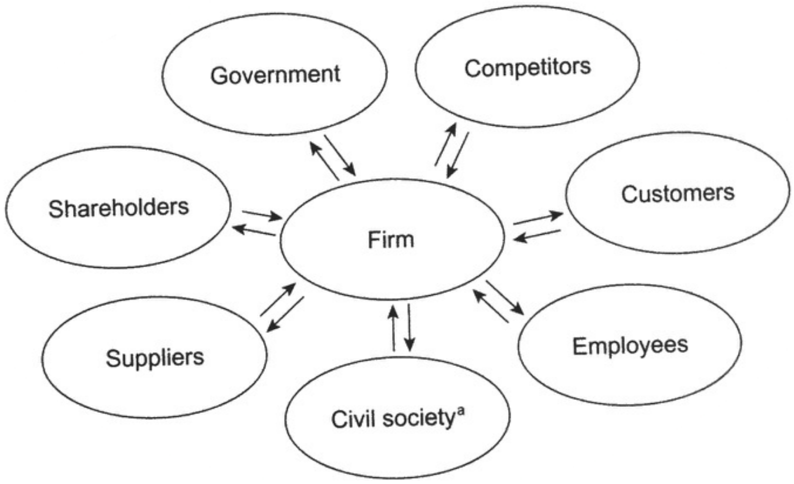

Figure 5. Stakeholder theory of the firm (Crane & Matten, 2004, 51).

Freeman *et al*. (2010, 23) denote that the underlying idea of stakeholder theory is that the success of the company is linked to how well the company manages its relationship with the diverse group of stakeholders. Therefore, stakeholder approach has evolved from the recognition of stakeholders to managing them (Donaldson & Preston, 1995). Smudde and Courtright (2011) identify sustaining and improving the stakeholder relationships as the main tasks of stakeholder management. They also denote that effective communication is a tool for fulfilling these goals. Consequently, we can notice that the stakeholder approach has transformed from stakeholder management to managing the relationship between the stakeholder and the company by utilizing communicative means. Consequently, effective communication is the main tool for relationship building, sustaining and strengthening (Smudde & Courtright, 2011).

2.3.3 Corporate social responsibility and organizational culture

Literature provides an unclear theoretical foundation for a sustainability-oriented organizational culture (Galbreath, 2010; Linnenluecke & Griffiths, 2010). Despite of the vagueness a connection can be determined between CSR and organizational culture. Therefore, this section pursues to clarify the current setting.

Organizational culture reflects the personality or the feel of the company through entrenched values, beliefs and assumptions (Galbreath, 2010). These are espoused and manifested through employee behaviours and decision-making, in addition, they define the proclivity and ability of a company to conduct business operations either responsibly or irresponsibly (Kalyar *et al*., 2013; Melo, 2012; Galbreath 2010). Therefore, the orientation of the organizational culture influences the company's tendency towards CSR and sustainability (Kalyar *et al*., 2013; Galbreath, 2010).

Maignan *et al*. (1999) mention that organizational culture can be divided into three different dimensions – market, humanistic and competitive. In humanistic cultures attention is directed to people, teamwork, sensitivity and cooperation (Kalyar *et al*., 2013). This demonstrates as concern and interest towards the needs, interests and demands of external stakeholders, instead of solely pursuing one's own needs (Galbreath, 2010). As humanistic cultures are responsive to stakeholders' concerns, it is logical to assume that companies, which incorporate a humanistic approach to culture, perform well in terms of sustainability and CSR (Melo, 2012; Ralston, 2010; Maignan *et al*., 1999).

As CSR and sustainability are multifaceted concepts, organizational change and adjustment are needed to create an organizational culture that aligns with CSR and sustainability (Linnenluecke & Griffiths, 2010; Cramer, 2005), in other words, a culture of sustainability (Galpin *et al*., 2015). Cramer (2005) further individualizes that development of new shared values, norms, attitudes and a strategic embedding incorporating the triple bottom line thinking of CSR are required when CSR is integrated to a company. In other words, organizational culture should develop and take a more humanistic approach to align with CSR and sustainability.

For a comprehensive organizational culture change and adaptation, the change is required at different levels of organizational culture (Galpin *et al*., 2015; Linnenluecke & Griffiths, 2010). This view is compatible with Schein's (1984) model of the different levels of organizational culture. The model determines how organizational culture evolves, changes and familiarizes within the organizational members (see figure 3 in section 2.2.1 for clarification). Galpin *et al*. (2015) also identify Schein's (1984) multi-layered structure and the complex nature of organizational culture. Galpin *et al*. (2015) introduce a model of comprehensive culture of sustainability that can be regarded as a blueprint for leaders aiming at creating a culture of sustainability and CSR within an organization. The model is relatively linear and aligns with Schein's (1984) model of the different levels of organizational culture.

According to the model, sustainability has to be incorporated and embedded into the strategic management processes of an organization (Galpin *et al*., 2015). Meaning that sustainability has to be rooted into the mission statement, organizational values and behaviour, organizational goals and functional strategies of an organization so that all these organizational aspects complement each other (*Ibid*). After the strategic direction of a company is set, the change should extend to the management approach to HR management practises and more specifically the HR value chain (*Ibid*). After all, it is the employees who express the changed values, beliefs and assumptions through their behaviour and decisions (Galbreath, 2010). As a final remark, regardless of the fact that the comprehensive culture of sustainability model has relatively linear steps, the process can be characterised as rather iterative (Galpin *et al*., 2015). This means that the different steps ought to be revised continuously to assure the development of a company's sustainability efforts according to the development within the sustainability field (*Ibid*).

Due to the multi-layered structure and complexity, leaders play an important role when initiating a cultural change in a company and creating a culture of sustainability (Galpin *et al*., 2015; Linnenluecke & Griffiths, 2010). Especially senior or top management are identified to have a crucial role in inducing changes regarding sustainability (Galpin *et al*. 2015; Stoughton & Ludema, 2012). They are in a position to deploy sustainability within companies by aligning sustainability into the company's mission, values and goals (Galpin *et al*, 2015). Furthermore, the top management has a role in creating and emphasizing sustainability priorities and communicating and accentuating CSR or sustainability internally and externally (Stoughton & Ludema, 2012). Change agents such as middle management and external stakeholders are also in a position to influence the adaptation of sustainable values (Linnenluecke & Griffiths, 2010).

2.4 Theoretical synthesis

The purpose of this section is to accomplish and add clarity for the theoretical framework chapter and to facilitate analysis and discussion in subsequent chapters.

Figure 6 provides a simple theoretical synthesis of the theoretical framework in this chapter and depicts the interconnections between the theoretical perspectives utilized in this study. M&A's offer both great opportunities and challenges for companies (Schmid *et al*., 2012). Nonetheless, over half of the M&As are reported to fail (Bauer & Matzler*,* 2014; Teerikangas & Very, 2006; Nguyen & Kleiner, 2003; Buckley & Ghauri, 2002). Among others, Weber and Tarba (2012) and Stahl & Voigt (2008) connect organizational culture to poor M&A performance.

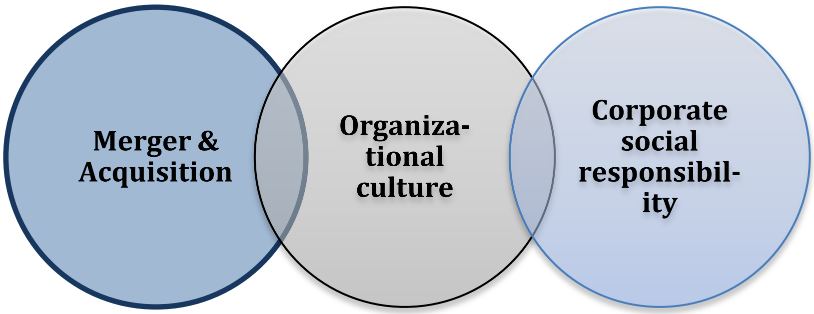

Figure 6. Theoretical synthesis**.**

Organizational culture is manifested and disclosed through behaviour, ways of doing things and common values of the organizational members (Buono *et al*., 1985). According to Stinchcomb & Ordaz (2007) organizational culture is the core and the source of uniqueness that differentiates companies from eachother. Distinctive or even opposing behaviour patterns, ways of doing things and values can create challenges in mergers and acquisitions and lead to cultural collusion (Cartwright & Cooper, 1993; Buono *et al*., 1985).

In situations where two distinctive cultures are brought together, for instance as a result of a merger or an acquisition, the cultures pursue to adapt and integrate when cultural elements diffuse (Sarala, 2010). The process is called acculturation (Nahavandi & Malekzadeh, 1988). As a result of acculturation, the distinctive organizational cultures may or may not adapt to eachother in several modes. Managing and planning are tools that moderate and streamline the process of both – structural and human integration (Schmid *et al*., 2012; Weber & Tarba, 2012; Stahl & Voigt, 2008).

A connection between organizational culture and CSR can be established through employee behaviour and decision-making. The behaviour patterns and decision-making are influenced by organizational culture; values, beliefs and deeply rooted assumptions, that define the tendency of a company's business operations (Kalyar *at al*., 2013; Galbreath, 2010). Literature determines that humanistic cultures perform well and align with sustainability and CSR (Melo, 2012; Ralston, 2010; Maignan *et al*., 1999). Therefore, it is inevitable for a company to develop their organizational culture towards a more humanistic approach to align with and share values that promote CSR and sustainability. Management has also identified to play an important role in organizational culture change (Galpin *et al*., 2015; Linnenluecke & Griffiths, 2010). Senior and top management are in a position to deploy sustainability in the company by initiating the cultural change starting from the visible or tangible level so that the organizational culture evolves towards a culture of sustainability by aligning to Schein's (1984) model of the different levels of organizational culture (Galpin *et al*., 2015; Stoughton & Ludema, 2012).

3 Method

Research is conducted to *"...address the holes in our knowledge and those unsolved problems...*" (Leedy & Ormrod, 2010, 1). However, to be able to reach an aim, answer unsolved questions and add to a research field information has to be collected, analyzed and interpreted systematically, sceptically and ethically (Robson, 2011, 15). Therefore, this chapter presents and motivates the choices made regarding this study.

3.1 Literature review and theoretical framework

In general, research can be characterised as a process that constructs of consecutively unfolding activities (Ghauri & Gronhaug, 2002, 25). The starting point of any research is to determine the research topic, in other words, the phenomenon or a theme to be studied (*Ibid*). Existing literature, published research projects and the real world serve as good sources for research ideas that lead to problem identification and formulation (Ghauri & Gronhaug, 2002, 27). Among, others the purpose of a literature review is to provide a frame for the problem (Ghauri & Gronhaug, 2002, 45).

The literature review for this study was conducted in two phases – preliminary search and critical review (Saunders et *al*., 2007, 54). A preliminary search was conducted to develop and enhance the research topic and further define the research problem, aim and actual research questions (*Ibid*). Therefore, the preliminary search involved articles and academic journals within the fields of management, organizational culture and corporate social responsibility. Newspaper articles where examined to see what are up-to-date issues in the business world in the respective fields. Books were also used to compose a general view of the research field. Key words such as merger, acquisition, organizational culture, corporate culture and corporate social responsibility where used. The general view contributed to specifying the research problem, aim and the initial research questions of the project.

After developing research questions the second phase of literature review, also known as critical literature review (Saunders et *al*., 2007, 54), was conducted around confined themes that contribute to the aim and the research questions. The critical literature review was much more narrowed and specific search terms and synonyms could be used due to the findings of the preliminary search. Databases such as Primo, Web of Science, Scopus, Science Direct, ProQuest and Google Scholar where used to retrieve articles from scientific journals. The Swedish University of Agricultural Sciences (SLU) Library enabled the access to most of the aforementioned databases via a VPN connection. The critical review also contributed in research design matters because appropriate research methodologies and instruments were identified.

According to Robson (2011, 67) theory is an explanation about what is happening and why in a specific setting or phenomenon being studied. Literature review contributed to the construction of the theoretical framework of this study. The framework helps to determine the important relationships and features to be studied and the type of data needed (*Ibid*). As a consequence, the theoretical framework was developed before data collection to identify the kind of data needed. The chosen research problem is complex and therefore the theoretical framework composes of diverse theories, concepts and models.

3.2 Qualitative case study

According to Berg (2004,7) the purpose of research is to find answers to questions and problems through the application of systemic procedures. To a large extent, the problem and research questions determine the type of chosen research design and method of data collection (Robson, 2001, 71; Ghauri & Gronhaug, 2002, 85). Qualitative research focuses on social research and more specifically on human behaviour in social situations (Robson, 2011, 17; Berg, 2004, 7). The aim and emphasis of qualitative research is to understand these situations (Robson, 2011, 24). This involves interpreting and understanding how people arrange themselves in such situations (Berg, 2004, 7). Consequently, the qualitative research tradition is suitable for this project because organizational culture, that plays a significant role in this project, reflects the organizational members' behaviour and values.

Case study is a research tradition of qualitative research (Baxter & Jack, 2008). The case studied can compose of, for instance, a situation, individual, a group, an organization or anything researcher is interested in (Robson, 2011, 135). Consequently, the case in this project constructs around the acquisition process of an insurance company. The purpose of a case study is to explore and clarify a phenomenon in its context (Baxter & Jack, 2008). The phenomenon in this project is the impact of the acquisition to CSR through organizational culture. The usefulness of the case study method has been recognized especially in research projects that construct of how and why questions (Ghauri & Gronhaug, 2002, 174). Consequently, the research questions of this project involve how questions.

As a research design, case study imposes demands on the researcher in order to conduct a good case study. The skills needed for a successful case study compose of an inquiring mind that leads to asking questions in all phases of the project (Berg, 2004, 253). Other skills needed are good listening skills and adaptability to ensure that right kind of data is collected (*Ibid*). The researcher should also have an understanding of the issues studied to be able to interpret collected data (*Ibid*).

Concerning trustworthiness, reliability in case studies cannot be claimed by directly replicating the study by an independent investigator (Robson, 2011, 155). The events may be observed again, but the conditions are never the same (Fidel, 1984). Additionally, validity is also an issue of concern as case study bases on a researcher's subjective understanding (*Ibid*). To ensure that the data collected is valid several resources of data can be used (*Ibid*). For this project no public material concerning the case was available for the researcher's disposal. Therefore, as apart from the certain public documents such as annual reports no additional data could be utilized to ensure validity.

3.3 Data collection and analysis

After the choice of methodology data collection methods may be selected. According to Robson (2011, 232) the type of information sought determines the chosen method for data collection. For a case study different data gathering techniques may be utilized in building an understanding of the setting (Berg, 2004, 251). As this research concentrates on a social setting and is qualitative in nature, the data collection through interviews is a suitable and extensively used data collection method (Petty *et al*., 2012).

Interviews are utilized widely in social research (Robson, 2011, 278). They can be structured, semi-structured or unstructured (*Ibid*). This study utilizes semi-structured interviews as the primary data collection method. An interview as data collection method was chosen because it is a flexible and adaptable way to find out things and they provide rich and highly potential material (Robson, 2011, 280). However, the skills and experience of the interviewer are in an important role when flexibility is incorporated to the interview situation (Robson, 2011, 281). Additionally, biases of both the interviewer and the interviewee are difficult to overcome (*Ibid*). For instance, the tone in which the interviewer presents questions can influence in the way the interviewee responds (Saunders *et al*., 2007, 318). As a data collection method interviews are also considered as relatively time consuming. Semi-structured interviews also lack standardization that influences in the reliability of the results (Saunders *et al*., 2007, 318).

The semi-structured interviews were carried out within the acquirer company. The interviews were mainly executed as face-to-face interviews but also telephone interviews were utilized. Face-to-face interviews allow the interviewer to be present in the situation and observe non-verbal cues that the interviewee gives (Robson, 2011, 281). The non-verbal cues might elaborate the verbal response and possibly even alter the meaning of the message (*Ibid*). As mentioned previously, interviewing as a data collection method is time consuming (*Ibid*), therefore, some interviews were conducted as telephone interviews. However, telephone interviews lack the personal contact and inhibit observation of the non-verbal cues.

An interview transcript was created to facilitate the interview situation and to function as a checklist for the interviewer and constructed of topics to be discussed. The people interviewed for this project were chosen with the assistance of a representative of the case study company. Also information retrieved from the interviews influenced and contributed to the selection of interviewees. Altogether eight people were interviewed for this study. It must also be mentioned that the interviews were conducted in Finnish as the entire study was conducted in the Finnish context.

The interviewees were distributed an interview agenda that contained themes and sample questions that will be addressed in the interview because the matters and issues discussed happened a few years back (see Appendix 1 for an example of an interview agenda). Additionally, the information was distributed to streamline the interview situation and to make sure that the available time was utilized efficiently. All interviews were recorded on the interviewees' approval. After the interviews an interview summary was created according to the recorded material and interviewer's notes. The summary was sent for the interviewees to be revised and validated. The interviewees were also able to suggest necessary changes to the summary. This was done to avoid any misunderstandings that would distort analysis and conclusions of this project. See Table 1 for information concerning the interview timetables and validation of the transcripts.

Table 1. Interview validation process.

Interview mode	Interview date	Transcript sent	Validation
Face-to-face	8.5.2015	15.5.2015	27.5.2015
Face-to-face	18.5.2015	26.5.2015	15.6.2015
Face-to-face	22.5.2015	10.6.2015	11.6.2015
Face-to-face	25.5.2015	16.6.2015	10.8.2015
Face-to-face	26.5.2015	23.6.2015	10.8.2015
Telephone	2.6.2015	25.6.2015	27.7.2015
Face-to-face	3.6.2015	3.7.2015	10.7.2015
Telephone	30.6.2015	1.7.2015	2.7.2015

As a request from the case study company, the results of this project are compiled and represented entirely in an anonymous manner. Therefore, the names of the interviewees are coded in a random order. Additionally, this project avoids giving any too detailed information concerning the company and acquisition in question. Consequently, this anonymity prevents providing any accurate references to the company information in chapter 4.

After collecting data the next step is to analyse and interpret the data. According to Robson (2011, 466) when qualitative data is the only set of data, analysis has to be carried out in a detailed manner. In qualitative data analysis the focus is on text, in this project the text constructs of validated interview transcripts. The analyst must be able to think clearly when analysing qualitative data (Robson, 2011, 468). The gathered data was analysed by utilizing the thematic coding approach. First the data was coded and labelled and then codes were arranged in groups so that they represented the same theme. The themes where predetermined to comply with the research questions. After this, the data was further analysed. It must be noted that predetermined themes can bias the researcher and reduce sensitivity towards potentially important themes (Robson, 2011, 475). Additionally, as the interviews were conducted in Finnish, all the quotations used in the analysis and discussion chapter are translations from Finnish to English translated by the author.

3.4 Document studies, triangulation and validation

Additionally, data was collected for this research by employing the documentation technique where ”*external and internal documents, such as memos, electronic mails, annual reports, financial statements, newspaper articles, websites maybe used to cast further insight into the phenomenon of interest or to corroborate other forms of evidence*” (Bhattacherjee, 2012, 107). External documents such as annual reports, ethical operating principles and environmental reports were used to corroborate data collected from the interviews. In other words, to triangulate the collected data. According to Robson (2011, 158) this is one way to improve validity of qualitative research.

The recorded interviews support providing a valid description of the case as there is always a chance to go back to the material and seek clarification (Robson, 2011, 158). In addition, as stated in the previous section the interview transcripts were sent to interviewees for validation. This was also done to avoid the misinterpretation of the data and to be able to provide a valid description of the case. Another ways to increase the reliability of the qualitative research is to keep record of the audit trail (Robson, 2011, 159). This chapter tries to demonstrate and clarify the choices made during the study in a clear and concise way regardless of the limitations that the anonymity of the case study company and the interviewees.

3.5 Research ethics

Ethical concerns are topical in all phases of a research project (Saunders *et al.*, 2007, 177). Ethics related to research refers to the rules of conduct, in social research ethics refers to commitment to participants' rights and respecting the participants (Robson, 2011, 197). Various codes and guidelines exist, however, they are relatively vague in nature (Ibid). This gives liberty for the researcher to interpret the codes and guidelines accordingly to fit their research (*Ibid*). Saunders et al. (2007, 181) determine the avoidance of harm as a cornerstone of ethical issues when undertaking research. The different methods of data collection can all potentially be intrusive and cause anxiety or stress in participants (*Ibid*).

All the interviewees for this research were approached either via email or telephone and full details of the purpose of the research, use of collected data and anonymity were given prior to their approval to participate the research project. The same details were repeated before each interview to ensure mutual understanding of the purpose and the use of interview data. Additionally, the interviewees were asked permission to record the interviews before starting recording.

According to Robson (2011, 207) preserving anonymity of the participants is a norm in the different phases of the project. Anonymity concerning the interviewees has been taken care of in analysis phase by coding the interviewees' names and keeping the content of the collected data only between the interviewer and the interviewee. In reporting, no direct attributes to the identity of the interviewees were revealed to avoid participant identification.

4 Empirical background

This chapter gives an introduction to the case study at hand. The purpose is to familiarize the setting in which this project was carried out. First CSR will be viewed in the Finnish context and then information and relevant details of the case study company's operations in Finland are provided. Anonymity of this project prevents providing any accurate references for the company information referred to in this chapter.

4.1 Corporate social responsibility in Finland

In the early days of Finnish industrial history, CSR was viewed as the relationship between the company and its surrounding community (Panapanaan *et al*., 2003). About 40-50 years ago, social responsibility was regarded as a corporate concern because companies had a more extensive role in the community than today (Panapanaan *et al*., 2003; Mattila, 2007). Companies had adopted the role in supporting and building, for instance, schools, churches and infrastructure (Panapanaan *et al*., 2003). As the Finnish society continued to develop, the responsibility was transferred to the government that is responsible nowadays for providing social services, education and welfare benefits (Mattila, 2007). Worth noticing is that the environmental dimension of CSR achieved an important status among Finnish companies already in 1990s, while the other dimensions where only starting to gain public consciousness (Juholin, 2004). Nowadays this appears through the fact that the environmental dimension has attained a self-evident position in operating companies (Panapanaan *et al*., 2003).

The extensive role and the social responsibilities of the Finnish companies in the early days of Finnish industrial history represent the predecessor of the current CSR approach in Finnish companies (Panapanaan *et al*., 2003). Both Mattila (2009) and Panapanaan *et al*. (2003) summarize that CSR contrasts to the corporate values and principles of Finnish companies. The Finnish way of thinking supports and sustains CSR in terms of responsibility and ethical behaviour (Panapanaan *et al*., 2003). Therefore, CSR is regarded as a self-evident activity among the companies meaning that CSR has not been as intensively debated or paid attention to in company business practises (*Ibid*).

The target of CSR activities conducted in Finnish companies has also changed since the early days of Finnish industrial history. Companies are contributing to the society by paying solely taxes instead of providing direct benefits (Juholin, 2004). Therefore the nature of CSR activities has transformed overtime meaning that the impact of CSR activities is not directed anymore that clearly to local communities and stakeholders (Panapanaan *et al*., 2003). Consequently, the focus is directed towards global scale issues and CSR activities are directed respectively, as one of the main drivers of CSR in Finnish companies is namely globalization (*Ibid*). Other CSR drivers are laws and regulations, stakeholders and sustainable development (*Ibid*). The stakeholders that initiate CSR represent mainly regulatory bodies, industrial federations and employees (Panapanaan *et al*., 2003). At the company level top management, owners and investors are recognized to have an important role as CSR drivers (FIBS, 2014).

In general, CSR in Finland can be characterised as proactive in nature, however, it is mainly used to attain competitive advantage, improve the company image, brand building and preparing for the future (FIBS, 2014; Panapanaan *et al*., 2003). It can be said that CSR is reaching an important status in Finland as the CSR development is taking place gradually in big companies leading the game (Juholin, 2004). Surprisingly, in 2014 several Finnish companies stated that the underlying idea of the company bases on corporate responsibility or CSR (FIBS, 2014).

According to a report conducted in 2014 by FIBS, the leading non-profit corporate responsibility network in Finland, the importance of CSR for businesses has increased lately. CSR is currently somewhat important to the Finnish companies and is increasingly noticed in corporate agendas (FIBS, 2014). Currently, the leading themes for CSR activities in Finland are environment and fair operating practises. These issues are contributed by activities such as codes of conduct, constructing CSR strategies and CSR reporting. Also international guidelines and principles are recognized and incorporated. Among the large Finnish companies, Global Reporting Initiative (GRI) guidelines are adhered in CSR reporting, however, the implementation and publication of the reports is not coherent (Kotonen, 2009). Some companies publish separate responsibility reports and others tend to integrate CSR information in their annual reports (*Ibid*). Least important themes in the Finnish CSR tradition are human rights and consumer issues (FIBS, 2014).

All in all, CSR knowledge is increasing among management teams in the Finnish companies, but a need for more CSR professionals is recognized (FIBS, 2014). As a conclusion, the direction where companies are heading to with their CSR activities is promising as CSR is managed progressively in the Finnish companies (Mattila, 2007; Panapanaan *et al*., 2003).

4.2 Company introduction

As the case study is limited to Finland the company introduction will address details and company information of the Finnish business unit that represents the setting for the acquisition in question.

4.2.1 General company information

The organization studied in the case study belongs to one of the leading insurance companies in Scandinavia (www, company website, 2015) and is a part of a leading Nordic financial services group. Other geographical areas of business consist of the Baltics. In Finland, the insurance company can also be regarded as one of the three biggest insurance companies when measured by the size of the obtained market share (company presentation, 2015). The company provides insurance solutions for both individuals and companies. The largest customer segment for the company consists of private customers. The company had approximately 1800 employees in Finland at the time of the occurrences this study deals with (pers. com., Person E, 2015).

The case study company’s vision is to provide solutions that guarantee security and stability for their customers’ in their everyday lives. High quality and excellence represent the cornerstones in the company’s operations and help the company to obtain a market leader position among their Nordic and Baltic markets. The company’s strategic goal is to reach improved profitability and customer satisfaction in relation to the company’s competitors. In addition, customer expectations are to be fulfilled and exceeded through outstanding insurance solutions and friendly customer service (www, annual report, 2014). The company also looks forward enforcing their market position through expected growth and carefully considered employment (www, company website, 2015). The wide co-operation among the different country organizations creates a favourable environment for efficient business operations (www, company website, 2015).

The core values of the company construct of four elements that it strives to highlight when interacting with customers. Firstly, the company strives to be reliable and keep the promises and provide help to its customers when needed (www, annual report, 2014). Secondly, dedication to operations reflects through company initiatives and responsibility towards the customers (*Ibid*). Thirdly, the company seeks to provide easy accessibility to the products and services that are introduced clearly (*Ibid*). Lastly, the company invests in forward thinking by leading developments and continuously creating and developing insurance products and services to correspond to the current treats in society (*Ibid*). Furthermore, ethics is seeded in the company values. The ethical operating principles will be addressed more thoroughly in section 4.2.2.

Generally, strong know-how of basic insurance operations is characteristic for the insurance company in question. This can be noticed through the efficient use of resources when providing services and products (pers. com., Person H, 2015). Also perseverance, stability, result orientation and obedience are typical for the insurance company in question (pers. com., Person F, 2015; pers. com., Person H, 2015).

4.2.2 Corporate social responsibility

The insurance company in question uses the term social responsibility to refer to it's CSR activities, after all, the emphasis of the company's operations addresses primarily social issues, however, an environmental emphasis can be noticed as well. According to interviewee Person C (pers. com., 2015) the concept of social responsibility is close to the underlying idea of the insurance business – to advance the security within the society and to spread information.

The company has intertwined ethical business principles to the company values. As a consequence, the company maintains ethical operating principles as guidelines for the personnel of the company (www, company website, 2015). It is self-evident that the employees are required to keep the ethical principles in mind in all engagements. The main ethical principles emphasize that adhering an ethical stand is a requirement for long-term success and that every person is equal in the company's perception and discrimination is strictly forbidden (Company ethical operating principles, 2013).

The principles are important for the company because it wants to present and maintain a trustworthy reputation as an insurance provider in the eyes of its stakeholders (Company ethical operating principles, 2015). Operating in an ethical manner fosters the continuity of the business operations, therefore, the company also sustains a set of ethical principles, structures and processes (*Ibid*). As the ethical operating principles state, to act in an ethical manner requires a personal level decision (*Ibid*). Therefore, the company pursues to maintain and retain ethical operating principles in the minds of their employees by presenting questions and problems related to the ethical operating principles in the company portal (pers. com., Person D, 2015).

The responsibility activities of the insurance company in question can be roughly spread in two general categories – social and environment. Social responsibility is contributed through, for instance, a security trust and sponsorship in all of company's operating countries (www, company website, 2015). Small communities such as schools, day care centres and hobby related teams can apply for funding for things or items that contribute to the community's or team's security and safety (*Ibid*). The sponsorship is meant for cooperation activities with different non-governmental organizations (NGOs) that align with the company values and principles (*Ibid*). Country specific activities, that are especially characteristic for Finland, are related strongly children (pers. com., Person C, 2015). The company supports the visibility of the first-graders in traffic by providing them yellow caps and securing their road crossing by cooperating with non-governmental organizations (www, company website, 2015). To add to the social responsibility activities, at least in Finland the personnel of the company have possibility to donate their company business present to charity (pers. com., Person E, 2015).

The environmental activities executed in Finland are principally corporate level initiatives and decisions (pers. com., Person C, 2015). However at least in Finland, the company has implemented the WWF Green Office environmental management system in their offices (pers. com., Person E, 2015). The insurance company in question has set a goal to continuously decrease the environmental impact of their operations (www, company website, 2015). As a consequence, it want's to be one of the leading companies within the insurance industry in terms of environmental contribution (*Ibid*). It pursues to raise awareness of environmental issues and threats and help its customers to decrease their environmental stress and damage. The company also calls for responsible behaviour and commitment to environmental issues from their suppliers (Company environmental report, 2013).

The company has established a corporation level environmental strategy and policy in 2008 (Company environmental report, 2013). The environmental goals are to continuously decrease the company's environmental impact and to implement the environmental activities in the business operations on daily basis (www, company website, 2015). Furthermore, the company has established as a carbon neutral company since 2011, meaning that all the carbon emissions arising from its operations have been offset (Company environmental report, 2013). Since 2013, the company has engaged in an offset project in India. By acting correspondingly the company pursues to motivate and activate the environmental awareness of its employees and in the long run to decrease its environmental impact (*Ibid*).

To improve transparency the company publishes an annual environmental report that presents specified numbers concerning the company's environmental stress (www, company website, 2015). The environmental reports also compile the activities the company has performed to accomplish the environmental goals. As the insurance company in question has an important role as a power player within different communities, it chooses to educate it's stakeholders by addressing different societal threats, questions or issues its annual reports (www, company website, 2015). The purpose of the annual reports is to launch discussion amongst its stakeholders (Annual report, 2011). Themes that the reports have concerned in the past years are, among others, safety, development and global warming.

5 The empirical study

This chapter presents the insights gathered from the eight semi-structured interviews. First the big picture of the acquisition is focused, and then the following sections strive to provide more profound information of organizational culture and CSR in the acquisition process.

5.1 The acquisition

The acquisition, discussed in this project, commenced already at the end of year 2011 as an internal project (pers. com., Person H, 2015). Towards the end of year 2012 the acquisition was published for media and personnel as it was approved by the Finnish Competition and Consumer Authority (*Ibid*). Day one, the actual transaction day, for the project was dated in spring 2013 and the final deadline to complete integration was set at the end of year 2014 (*Ibid*). All in all, the project took almost three years to complete.

The acquisition project was kept as a secret in the beginning and only a limited amount of people working within the project knew about it (pers. com., Person H, 2015). The acquiree was another Scandinavian insurance company that had business operations in many Scandinavian countries. The subject of the acquisition was the acquiree's entire business operations in Finland. All of the interviewees noted and mentioned that the acquiree was a significantly smaller player in Finland than the acquirer; at the time of the acquisition the acquiree had approximately 200 – 250 employees running the Finnish business operations (pers. com., Person H, 2015). Alike features between the acquiree and acquirer comprised of Scandinavian origin, a comprehensive insurance selection and the fact that both of the companies utilized a remote business concept (*Ibid*).

As the acquisition included all the acquiree's business operations in Finland, the transaction required involvement and cooperation of acquirer's different business units in planning and implementing the acquisition. Therefore, representatives from different business units were involved in the acquisition right from the beginning of the project. For this study project, employees from project management, IT, human resources, communications, accounting and customer service were interviewed. The employees presented both acquiree and acquirer.

According to interviewee Person H "*The acquisition as a process was relatively simple and smooth.*" from the project management perspective in general (pers. com., Person H, 2015). Similarly interviewee Person G characterises the entire project as "*well coordinated, led and managed*" (pers. com., Person G, 2015). The project proceeded consistently due to weekly meetings and clear timetables (*Ibid*). Interviewee Person E also commends the planning phase because no conflicts or actual problems appeared along the acquisition process concerning human resource functions (pers. com., Person E, 2015). Only the difference in human resource practises between the companies was an issue that required familiarizing before day one. For communications unit the acquisition seemed like a very straightforward process due to the fact that acquirer's communication strategy was directly applied to the acquiree company (pers. com., Person C, 2015: pers.com., Person F, 2015).

For the IT unit the acquisition project in question clearly imposed pressure and challenges because IT as a function and a unit contributes to the over all operations of the company (pers. com., Person D, 2015). In addition, IT influences in the adaptation of almost all acquisition induced changes to the other business units as the remote operating concept of the acquirer bases strongly on IT and special software (pers. com., Person D, 2015). For the accounting unit the acquisition caused a lot of work that consisted of clarifying and investigating that related to information transfer from the acquiree's system to the acquirer's system (pers. com., Person G, 2015). Therefore, the acquisition project was perceived differently in terms of difficulty between the different business units.

The negotiation process already brought up differences between the companies. As stated above, the size difference of the two companies is significant and the difference was noted not only in the negotiation process but also in other phases of the acquisition. In addition to the small size of the acquiree, several interviewees noted that it was also relatively young when compared to the acquirer in operating years and the average age of personnel. As the acquirer company was negotiating with the acquiree, it revealed out that the acqiree was not generally aware enough of its business operations in Finland (pers. com., Person H, 2015). Therefore, instead of being a Scandinavian insurance provider the acquiree reminded of a smaller insurance provider with operations extending only within one country (pers. com., Person G, 2015).

The companies were different also by organizational structure. According to interviewee Person E " *The acquiree was a very agile organization and was able to make decisions, react and act fast when needed*" (pers. com., Person E, 2015). By agile the interviewee refers to the size of the company and the simple organizational structure. As a consequence, for several interviewees the acquirer presents as hierarchical and bureaucratic when contrasted to the acquiree company. Interviewee Person B pointed out that "*the business operations are performed in a more regulated manner because the functions and processes were predetermined and scheduled in detail*" (pers. com., Person B, 2015). Due to the fact that the acquiree company was smaller than the acquirer, the employees were able to work closely face to face on daily basis instead of merely connecting and cooperating via telephone or email interaction (pers. com., Person A, 2015). This reduced the feeling of hierarchy and diminished power distance by creating a relaxed atmosphere in the acquiree company, this was also noted by several other interviewees.

Another noticeable difference among the companies was the structure and suitability of the used software. The software used for accounting in the acquiree company was very heavy in proportion to the size of the company (pers. com., Person G, 2015). Therefore, the accounting procedures consisted a lot of manual labour, whereas, the acquirer has a great portion of its accounting functions automatized (*Ibid*). In addition, entire insurance operations were based on another software (pers. com., Person B, 2015).

In the integration phase after day one, the employees of the acquiree were relocated around in the acquirer company's different business units. It was a clear decision right from the beginning that the people would be decentralized to the acquirer's organization chart (pers. com., Person E, 2015; pers. com., Person H, 2015).

Regardless of the fact that the acquisition in question was characterised as a relatively simple and smooth project, the interviewees could name some difficulties and challenges that appeared during the project. From the project management perspective the scarse resources, in terms of time and available employees to plan and execute the project, were challenges in addition to the fact that the project had to be kept as a secret in the beginning (pers. com., Person H, 2015). The entire acquisition was controlled by the authorities and this created certain challenges. For instance, in the negotiation phase all details could not be thoroughly discussed or clarified. The authorities also required careful documentation of the entire negotiation process. The authority control influenced especially in the communication processes. The acquirer could not provide adequate internal information when perceived necessary because authorities regulated what kind of information could be released and when it could be released (pers. com., Person C, 2015).

The different software used in the acquiree company was a major challenge that extended to different business units. All the information concerning accounting, human resources, customers and the products was in a different form. Therefore, information transfer concerning especially these business units was a challenge and a critical issue that could possibly threaten the progress and success of the acquisition (pers. com., Person E, 2015). After day one the company was committed in providing their former and new clients superior consumer service (pers. com, Person D, 2015). Without proper access to data this would not have been possible.

At a certain point well before the actual acquisition day, the acquiree was in the impression and eager to close the deal sooner than planned (pers. com., Person D, 2015). Especially for IT this was not possible because it was, according to most of the interviewees, the unit that was most challenged due to the acquisition. Besides, the acquirer could not agree to the acquirees suggestion because "*the acquirer's goal was to fulfil the minimum legal requirements and obligations of an insurance company*" before the acquisition could be executed (pers. com., Person D, 2015). Person D says that "*It was challenging to find out what had to be done concerning IT before day one*" because the acquiree had most of it's IT functions outsourced to a network of suppliers (pers. com., Person D, 2015). The acquirer did not have such an extensive network of suppliers maintaining it's extensive IT services. In addition, the acquiree underestimated the workload regarding the carve out of the IT functions (*Ibid*).

The problems and challenges were not unexpected during the acquisition process, therefore, the acquirer pursued to proactively solve the possible problems and challenges as well as possible by comprehensive planning (pers. com., Person H, 2015). Regardless of this, some issues and challenges could not be resolved and addressed in advance proactively, thus, those issues and challenges were addressed reactively (*Ibid*). Especially many IT related issues were impossible to resolve in advance because the acquirer was unable to test the systems before day one (pers. com., Person D, 2015). In case of problems, especially related to IT, the acquirer prepared a set of frameworks, scenarios action diagrams and models to handle the situation if the worst-case scenario happened (*Ibid*). One of the goals was to "*prepare as well as possible so that the clients would not notice any change*" (pers. com., Person D, 2015).

Communication activities played a significant role and proactively pursued to facilitate the entire acquisition but also employee integration in the acquirer company. Information was distributed along the acquisition process and before day one to ensure a smooth transition (pers. com., Person C, 2015). As an example, the employees that transferred to the acquirer company were given extensive information packages about the acquirer and further along the integration process the employees were provided training (pers. com., Person A, 2015). It was clear from the beginning, that the acquired personnel would be treated equally beside the former employees of the acquirer company (pers. com., Person E, 2015).

5.2 Organizational culture in the acquisition

This section concentrates on providing insights of organizational culture in the acquisition. The subsections elaborate the acquirer's organizational culture, how organizational culture was present and influenced in the acquisition and the transformation of the organizational culture related to the acquisition.

5.2.1 The acquirer's organizational culture

When inquired, the interviewees composed an understanding of organizational culture around the members of the organization and their behaviour and customs. In addition, Person C determines that ”*organizational culture shapes constantly according to the company values, procedures, habits and management style*” (pers. com., Person C, 2015). According to Person C (pers. com., 2015), the company values mentioned in section 4.2.1 are highlighted in all company operations. In addition, the interviews revealed other underlying values or principles that reflect from the acquirer's operations - efficiency and economic values referring to profitability.

Efficiency transpires as efficient use of resources and assets, for instance, in service and deliverable production (pers. com., Person H, 2015). The economic values are important regarding the continuation of the business operations (pers. com., Person D, 2015). Also profit is a matter that is communicated both internally and externally (*Ibid*). However, these economic values cannot be perceived as too dominant in the acquirer's business operations (*Ibid*). Goal setting complements fulfilling the underlying values and gives a direction for the business operations (pers. com., Person C, 2015).

To fulfil the goals, planning and preparation are in essential roles. Therefore, the acquirer company has predetermined timetables and specific directions for all the procedures, processes and tasks and the directions are strictly followed (pers. com., Person G, 2015). Moreover, this mirrors to the way job descriptions are formed in the acquirer company. Interviewee Person G (pers. com., 2015) says that "*every employee has a very clear and detailed job description stating the role, authorization and responsibilities*". Other interviewees also bring up this insight and concur to it. As the job descriptions were very detailed and narrowed they "*require in-depth knowledge and expertise and an independent work ethic*" from the employees (pers. com., Person H, 2015).

Moreover, the goals have a profound role as they contribute to the continuity and stability of the company and business operations because "*with out financial profitability the business has neither future nor clients*" (pers. com., Person H, 2015). Furthermore, the goals are well communicated by management to the employees (pers. com., Person E, 2015). All interviewees recognize and appoint employees as one of the most important assets of the company concerning continuity and profit. This reflects clearly from the company policy as the human resources invest in the employees by providing continuous training. Another important undertaking of the human resources it to promote for equal and fair treatment of the employees and make sure that this principle is followed (pers. com., Person D, 2015). Continuous employee training is recognized to contribute to the company goals in terms of increasing efficiency due to the increased competency levels (pers. com., Person E, 2015).

The company has reached a steady status in terms of profit and this contributes to the atmosphere in the company (pers. com., Person F, 2015). All interviewees agree with the fact that the atmosphere is relatively relaxed. It can be noticed from the way employees dress up in a casual way and how the employees relate to and treat each other (pers. com., Person E, 2015; pers. com., Person F, 2015). Therefore, the relaxed atmosphere reflects to how people perceive power distance when cooperating with each other. Interviewee Person F (pers. com., 2015) mentions that " *despite of the result orientation, cooperation with other employees can be characterised as very straightforward and effortless*". According to Person E (pers. com., 2015) the Scandinavian origins of the acquiree also contribute to the laidback attitude, however "*the relaxed feeling doesn't rule out the professionalism from the company*" (*Ibid*). Additionally, Person D (pers. com., 2015) finds the atmosphere as very positive and supporting.

The interviewees also characterise the company as very future oriented because it strives forward in all areas of business so consistently. For instance, the acquirer is very determined to develop its digital services to guarantee exquisite customer service and seeks to be a forerunner in this manner (pers. com., Person D, 2015). Additionally, this endeavour mirrors to the other business operations as a continuous strive to perform even better and efficiently than before (pers. com., Person E, 2015).

All things considered, the company values and principles are continuously enforced by the top management in their behaviour and management practises (pers. com., Person F, 2015). As the employee turnover rate is very low in the company, it indicates that the company values and operating principles are approved and supported among the employees (*Ibid*). This has rooted the company values and principles very deep in the company's essence (*Ibid*).

5.2.2 Influence of organizational culture in the acquisition

The influence of organizational culture appeared in the acquisition process in several ways. Most of the interviewees recognize that the organizational culture as a concept was considered in the acquisition in a very one-sided manner that concentrated on enabling the integration phase. According to Person H (pers. com., 2015) the differences in the acquirer's and acquiree's organizational cultures were not taken into consideration in the planning and implementation of the acquisition project as cultural integration was never an objective.

The acquirer wanted to avoid the formation of a separate organizational culture resembling the acquiree's organizational culture (pers., com., Person E, 2015). As a concrete example the acquired employees were placed around the company after day one instead of placing them to one unit (*Ibid*). After all, the purpose of the acquisition was not to facilitate integration of two distinct cultures, instead, the purpose was to acquire the acquiree's Finnish business operations and incorporate it directly to the acquirer's organizational culture – traditions, customs and operation mode (*Ibid*). The acquirer's diverse and vivid history and experience of numerous acquisitions contributed to the decision of not to integrate the two cultures (pers. com., Person H, 2015).

Furthermore, all interviewees emphasize the size difference between the acquirer and the acquiree and mention it as a possible factor that contributed to the decision of not to integrate the two cultures. Therefore, the acquisition process rather proceeded by following the traditions, customs and operation mode of the acquirer (pers. com., Person F, 2015). As described in section 5.1 the acquisition was a very systematic and structured process through out the entire project. This corresponds well with the characteristics of the company's organizational culture.

Despite of the fact that the acquiree's organizational culture was not integrated in the acquisition process, the acquiree's dissimilar organizational culture still appeared and influenced in the different phases of acquisition process as challenges and difficulties. In the negotiation phase the negotiators from the acquiree's Scandinavian headquarter did not seem to be well aware of the company's business operations in Finland (pers. com., Person C, 2015). Therefore, the acquiree's ways of operating and managing reflected to the negotiation phase as the headquarters ignorance of its business operations in Finland (pers. com. Person G, 2015). This meant that the acquiree's negotiators had to clarify issues with the Finnish headquarters many times to be able to conclude the negotiations (*Ibid*). In addition, due to this ignorance, the acquiree did not seem to relate to the acquisition with needed seriousness as it perceived the entire acquisition as a disposal of it's clientele connected to it's Finnish business operations (pers. com., Person H, 2015). This reflected especially to the acquiree's reluctance to use resources concerning especially the acquisition of the IT services (pers. com., Person D, 2015). This also mirrored to the planning phase as the acquirer wanted to have very detailed information of the acquiree's business operations.

Person B (pers. com., 2015) characterises that the information requests from the acquirer concerning accounting were very specified and detailed in nature and contained a lot of special terminology. Both Person A (pers. com, 2015) and Person B (pers. com., 2015) commented that answering the questions and providing requested information was difficult because the job descriptions in the acquiree company were very general in nature, when compared to those of the acquirer company, and did not require in-depth expertise of different issues and processes. In addition to general job descriptions, the acquiree had never adopted a documentation culture of, for instance, different processes and procedures, flow charts or timetables for completing certain processes (pers. com., Person A, 2015). This appeared in the planning phase as a complicating factor. Other interviewees, especially representing the acquirer's party, confirm the insight concerning the job descriptions.

Additionally, the influence of organizational culture emerged through the acquiree's distinctive organizational structure and had further implications in the planning process of the acquisition and especially in the IT functions. Since, the acquiree used a large network of subcontractors to provide and maintain the IT services in Finland (pers. com., Person D, 2015). This complex network structure together with the ignorance of the business operations and the narrowed know-how made the investigation and planning of IT unit's acquisition very difficult (*Ibid*). In addition, the acquiree underestimated the amount of work and the significance related to the acquisition of the IT unit in the negotiations as they didn't have any IT representatives join the negotiations as the acquirer had (*Ibid*).

Furthermore, the differences in the job descriptions and expertise of the acquiree company's personnel appeared even more clearly after day one when the comprehensive integration started (pers. com., Person H, 2015). The organizational culture in the acquirer company supports very detailed job-descriptions that require in-depth information and accomplishing goals and objectives independently (pers. com., Person G, 2015). Therefore, in the beginning perceiving and taking personal responsibility at work was challenging for the acquired employees (pers. com., Person H, 2015). As a consequence, the employees were accustomed to very broad job descriptions, goals and objectives that often achieved collectively (*Ibid*).

5.2.3 Transformation of organizational culture

Interviewee Person D (pers. com., 2015) mentions that the acquirer company is "*open to new influences and challenges*". As a consequence, the interviewees have very unanimous perceptions of the changes and influences of the acquisition to the acquirer's characteristic organizational culture. Primarily, as the transferred employees were placed unevenly to different units of the company " *individual units might have deployed some ways of operating or customs characteristic for the acquiree's organizational culture*" (pers. com, Person D, 2015). However, the transferred customs "*can hardly be recognized any longer*" as time has passed after the acquisition (pers. com., Person B, 2015).

Deploying the acquiree's IT software and functions in the integration process maintained some customs and procedures referring to the acquiree's organizational culture (*Ibid*). However, as the temporary IT arrangements were shut down when the integration was completed, Person B (pers. com., Person B, 2015) noticed that the remaining traits of the acquiree's organizational culture were forgotten very fast and dissolved from the habits.

Interestingly, one interviewee, Person A (pers. com., 2015), mentioned that the acquirer was very interested in the ways the acquiree did things and had arranged processes in order to further develop the acquirer's business procedures after the acquisition. As a consequence, the acquirer developed a consumer retention flow chart and it based on experiences and customs assimilated in the acquiree company (*Ibid*).

Many interviewees reflected to the reasons why the acquirer's organizational culture has not experienced any general level changes. All of the interviewees mention the size of the acquiree as the most significant factor hindering the cultural transformation. Interviewee Person G (pers. com., 2015), also pointed out that the personnel acquired was very young when compared to the average age of the acquirer's employees. The interviewee believed that the age contributes to the agile integration to the acquirer's organizational culture. Furthermore, the companies in question had some similarities that had already sculpted the cultural traits of the companies to align some general characteristics. For instance, the companies were both known as significant players in Scandinavia and operated within the same industry and exploits the same remote operating concept (pers. com., Person G, 2015).

Consequently, most of the interviewees stated that the acquirer's characteristic organizational culture has not transformed generally speaking. Some very minor changes have occurred but only in separate units. The customer service unit was estimated as the most plausible unit to experience the most organizational culture transformation in organizational culture because so many acquired employees were placed there (pers. com., Person E, 2015).

5.3 Corporate social responsibility in the acquisition

By the time of the acquisition, the acquirer had adopted a very Scandinavian mind-set as a part of its operations and conducted business accordingly to the expectations and demands of the Scandinavian society (pers. com., Person G, 2015). Therefore, the interviewees can combine organizational culture characteristics, such as values, to CSR. For example, Person B (pers. com., 2015) points out that "*organizational culture and values guide the business operations and CSR activities of a company*". Therefore, the interviewees were able to identify activities that were guided by the company's social responsibility principles in the acquisition. However, it must be noted that "*social responsibility was not considered or* *planned as a separate element in the acquisition project*" (pers. com., Person H, 2015). Person E (pers. com., 2015) perceives that the ethical operating principles and social responsibility are deeply rooted in the company's underlying values and therefore contribute in all business operations and situations.

One priority of the acquisition process was to fulfil the legal expectations of an insurer during the acquisition negotiations, planning and integration phases (pers. com., Person D, 2015). This appeared as complying with the red tape and documenting the entire process carefully (*Ibid*). The transparency was continued by providing information and communicating about the progress of the acquisition both internally and externally. The acquirer provided information for the acquiree's employees about the progress of the acquisition and future prospects of the entire project (pers. com., Person A, 2015).

Furthermore, all employees were treated according to the company's ethical operating principles meaning that immediately after day one the acquired employees were considered as equal with the acquirer's employees in all situations (pers. com., Person E, 2015). This meant that, for instance, in all recruiting decisions the transferred employees were treated in an equal and fair manner (pers. com., Person H, 2015). As a responsible employer the acquirer also wanted to support the acquired employees' success and development by offering comprehensive training to facilitate and support the employees' integration to the acquirer company (pers. com., Person B, 2015).

Person B (pers. com., 2015) characterises that " *the acquiree contributed to social responsibility by executing different kind security campaigns and promoting for environmental concerns*". Unfortunately the issues were regarded mainly at the corporation level of the acquiree company so the initiatives were hardly visible or noticeable among the acquiree's Finnish business operations that were the subject of the acquisition (*Ibid*). However, the interviewee recalls that the company had charity traditions such as wrapping Christmas gifts for children's homes and a life-buoy campaign to endorse security and safety along the coastline (*Ibid*).

All in all, the interviewees have not noticed changes in the acquirer's social responsibility principles or activities after the acquisition. In addition, interviewee Person B (pers. com., 2015), as a transferred employee from the acquiree company, confirms that the acquiree's social responsibility practises cannot be recognized to have contributed to the acquirer's social responsibility activities or to be implemented to the acquirer's practises as such.

The relatively small scale of the acquisition transaction appeared among the interviewees as a reason why the acquiree's social responsibility practises were not implemented to the acquirer's social responsibility practises. Furthermore, due to the scale the acquisition didn't really influence or transform the underlying values or habits of the acquirer company (pers. com., Person F, 2015). Additionally, the purpose of the acquisition was only to acquire the business operations of the acquiree company, not to completely adapt the two companies to each other (pers. com., Person C, 2015).

6 Analysis and discussion

The aim of this chapter is to examine the results presented in the previous chapter by utilizing the theoretical framework and to develop insights about organizational culture and CSR in the acquisition.

6.1 Organizational culture in the acquisition

As stated in the introduction organizational culture can be identified as a fundamental part of a company and it can be said to represent the character of a company (Schraeder & Self, 2003). Furthermore, organizational culture is unique for every organization (Buono *et al.*, 1985). The interviews conducted for the empirical study reveal that the organizational cultures in question are different and possess distinct features. In addition, the interviews revealed that the organizational cultures were taken in consideration in the acquisition but in a very one-sided manner. Consequently, the differences of the organizational cultures were recognized but not taken in consideration or paid attention to in the management and planning activities. Later on the cultural differences appeared in the acquisition project as difficulties and challenges. According to the interviewees, the acquirer wanted to avoid the formation of a separate subculture. Therefore, the integrated employees were placed in several different units instead of establishing one separate unit for them.

According to Cartwright & Cooper (1993) people and culture are factors that are frequently overlooked in the M&A process. On the contrary, the findings of this empirical study state that the cultural factor was not overlooked in the acquisition but instead the acquiree's distinct organizational culture was ignored on purpose. Since, the overall objective of the acquisition was to acquire the acquiree's Finnish business operations and incorporate the operations directly to the acquirer's culture –traditions, customs and operation mode (pers. com., Person E, 2015). Furthermore, human synergy is recognized as a factor of success in the M&As (Cartwright & Cooper, 1993). Accordingly, the interviews reveal that employees are an important asset for the acquirer and this reflects from the acquirer's tradition of investing in the employees in terms of continuous training. Similarly the employees that transferred to the acquirer company were treated accordingly and provided comprehensive training to support their integration to the company.

The empirical study reveals that the entire acquisition project expressed and aligned with the cultural characteristics of the acquirer company. This together with the objective of the acquisition to acquire only the business operations indicate that the acquirer followed the assimilation strategy in the integration phase to support and contribute to acculturation. When exploiting the assimilation strategy the goal is to completely incorporate the acquiree to the acquirer's culture (Dauber, 2012). The interviewees confirm this, since, after the deadline of the acquisition process no actual habits or cultural traits of the acquiree can be any longer identified from the company operations.

Additionally, management and planning are brought up often in the M&A literature as factors that facilitate and increase the extent to which synergies realize (e.g. Stinchcomb & Ordaz, 2007). Accordingly, the interviews revealed a very organized and well-coordinated team working to implement the acquisition. As problems and challenges were expected in the acquisition, the acquirer pursued proactively to solve the prospective difficulties and challenges by proactive planning. Correspondingly, the acquirer strived to communicate efficiently about the progress and prospects of the acquisition project in both companies before day one. Similarly, the human resources offered extensive training and support to facilitate the integration of the transferred employees. These correspond with the strategies Schraeder and Self (2003) provide to enhance M&A success. However, Cartwright and Cooper (1993) have identified the management practises related to M&As as rather reactive. Interviewee Person H (pers. com., 2015) emphasizes that the acquirer company has a very diverse and vivid history accompanied by experience from acquisitions. Therefore, the previous experience might have gained expertise and insights that encouraged and supported taking a proactive approach in the management and planning practises. After all, according to literature taking a proactive approach facilitates acculturation (Cartwright & Cooper, 1993).

6.2 Transformation of organizational culture

When moving to the influence of the acquisition to the acquirer's organizational culture the empirical study revealed that at first individual units might have deployed some characteristics of the acquiree's organizational culture. However, later on the cultural traits faded and are hardly recognizable (pers. com., Person B, 2015). The temporary IT arrangements after day one that involved maintaining the acquiree's IT software might explain why some cultural traits or ways of doing things, were sustained and transferred to the acquirer company. However, the traits were apparent only until the integration was completed and the temporary IT arrangements adapted from the acquiree were shut down.

Schein's (1984) dynamic model, of how culture is learned, passed on and changed, supports the findings of the empirical study because the adapted cultural characteristics have only represented visible artefacts such as ways of doing things. The visible artefacts represent a superficial manifestation of an organizational culture. As the source or the initiator of certain behaviour, in this case the temporary IT arrangements, were discontinued there was no longer a reason or a trigger to behave in such a way. Additionally, literature pinpoints that organizational culture is identified to change over a period of time. Therefore, during the relatively short transition period when the temporary IT arrangements were maintained, it is evident that the behaviour neither influenced in the beliefs, values and attitudes nor the basic assumptions of acquirer's organizational culture. Moreover literature confirms this, as comprehensive organizational change requires transformation at the various levels of organizational culture (Galpin *et al*., 2015; Linnenluecke & Griffiths, 2010).

6.3 Transformation of corporate social responsibility

According to Kalyar *et al*. (2013) the orientation of the organizational culture influences the company's tendency towards CSR and sustainability. Companies that have a humanistic orientation to organizational culture, perform well in terms of CSR and sustainability (Melo, 2012; Ralston, 2010; Maignan *et al*., 1999). Correspondingly, the empirical background and the results of the empirical study indicate that the acquirer company has a humanistic orientation to organizational culture. A humanistic culture directs attention to people, collaboration, teamwork, sensitivity and cooperation (Kalyar *et al*., 2013). Respectively, the acquirer pays attention to its own employees by taking care of their competence and ensuring equal treatment for every employee. The acquirer also collaborates with different NGOs and treasures teamwork as the entire acquisition was carried out by a team of professionals. All in all, a humanistic culture shows concern and interest towards the needs, interests and demands of external stakeholders (Kalyar *et al*., 2013). Compatibly, the acquirer shows concern towards the nature and children by different kind of practises and is interested and concerned about the threats to society.

In order for a company to become sustainable a comprehensive organizational culture change is needed to create a culture of sustainability (Linnenluecke & Griffiths, 2010; Cramer, 2005). This requires development of new shared values, norms, attitudes and a strategic embedding that align with CSR and sustainability (Galpin *et al*., 2015). It can be interpret as transforming the culture towards a more humanistic orientation. In this case, the acquirer's organizational culture has a strong humanistic orientation, whereas, the acquiree's organizational culture doesn't have as strong humanistic orientation. For the acquirer to become even more sustainable and to strengthen the humanistic orientation as a consequence of the acquisition in question, the acquiree ought to have a more humanistic culture than the acquirer to make a difference and influence in the acquirer's CSR through organizational culture. By making a difference; adapting new values, norms and attitudes other than the acquirer already identifies. Therefore, it is evident that the social responsibility practises of the acquirer did not transform as a consequence of the acquisition. This complies with the discussion and findings in the previous section concerning the transformation of organizational culture as a result of the acquisition.

Moreover, the empirical study provided some explanations or reasons why neither organizational culture nor CSR changed as a consequence of the acquisition. The interviewees frequently mentioned the size difference of the companies in question that created a setting of a weak and a strong culture between the parties – acquirer demonstrating a strong culture and the acquiree demonstrating a weak culture. Therefore, the entire acquisition aligned with the acquirer's organizational culture characteristics.

Other factors that contributed to the outcome of the acquisition was the similarities between the companies in question. Both of the companies operated within the insurance sector providing very similar products and services to the same target markets in terms of geographic, demographic and psychographic segmentation. Additionally, the purpose and the aim of the entire acquisition was solely to acquire the acquiree's business operations in Finland to the acquirer company.

7 Conclusions

The purpose and the aim of this project was to find out how the M&A process impacts CSR through organizational culture. A set of research questions was utilized to assist in reaching the aim. A case study was conducted of an acquisition process.

Mergers and acquisition both generate opportunities and challenges for companies (Schmidt *et al*., 2012). They are a rapid way to grow, however, to realize this potential a fit between cultures, strategy and structures is needed (*Ibid*). The results of this project indicate that the acquirer did consider organizational culture in the acquisition, however, in a relatively one-sided manner. Namely the differences between the cultures were noticed but not taken in consideration in managing or planning the acquisition. The entire acquisition project aligned and conveyed the cultural characteristics of the acquirer company.

Additionally, the empirical study reveals that the acquirer's organizational culture did not transform or change permanently or as a result of the acquisition. Instead, some temporary changes were deployed in the ways of doing things and customs in certain units. However, the distinct ways of doing things and customs discontinued as the integration phase finished because they represented a very shallow display of an organizational culture.

To create a culture of sustainability, an organizational culture change is needed. As a result of the acquisition, the acquirer's CSR or social responsibility practises have not transformed. The acquirer represents a very humanistic organizational culture and contributes to and is active in social responsibility issues in multiple ways. Therefore, the acquiree's far less humanistic organizational culture did not have any influence in the acquirer's social responsibility practises neither in a positive nor a negative way.

No similar studies could be found within this context and therefore this study adds to the research field and can be regarded as a ground for further research. This case study concentrated on an acquisition that was conducted between two different sized companies, further studies could concentrate on the acquisition of two companies of similar size. Furthermore, the companies of this study represent the same industry, therefore, a similar study with companies from different industries might give interesting answers. Since, the companies representing different industries have distinct stakeholders and correspondingly a different focus in their CSR practises.

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Personal messages

Person A, Acquirer company, telephone interview, June 2015
Person B, Acquirer company, personal interview, June 2015
Person C, Acquirer company, telephone interview, June 2015
Person D, Acquirer company, personal interview, May 2015
Person E, Acquirer company, personal interview, May 2015
Person F, Acquirer company, personal interview, May 2015
Person G, Acquirer company, personal interview, May 2015
Person H, Acquirer company, personal interview, May 2015

Appendix 1: Interview agenda

- Interviewee introduction

- The acquisition

- Organizational culture
  - In the acquirer company
  - Differences between the parties
  - During the acquisition
  - How was organizational culture observable during the acquisition?
  - Has organizational culture transformed due to the acquisition?

- Possible problems in the acquisition
  - What kind of problems occurred in the acquisition process?
  - Solutions to the possible problems

- Corporate social responsibility
  - During the acquisition
  - After the acquisition