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Evolution of multiple organisational identities after an M&A event. A case study from Europe.

Introduction

Organizational identity (OI) and mergers and acquisitions (M&A) have been the subject of many research projects, scientific papers, and managerial reports during the past two decades. The global rise of local and international M&A, both within the same industries and through the execution of multi-industry diversification strategies, has put many companies in the position of struggling with OI. In the post-merger phases, the strategic autonomy of the pre-existing companies could respond to a specific organizational and business strategy, and therefore be accepted by the top management. Nevertheless, even in the more federalized solutions of M&A (Haspeslagh and Jemison, 1991), headquarters tend to promote the diffusion of a unifying, unique, and consistent OI as a driver of higher efficiency and effectiveness in the companies' operational conditions. In fact, many previous studies have suggested that the evolution of OI towards a single one (pre-existing or totally new) reduces ambiguity (Gioia *et al.*, 2000) and therefore enhances the level of the predictability of human behaviors.

Despite the centrality of the OI as a soft element in M&A processes (Empson, 2004) – in contrast to the “hard” elements, such as organizational structures and information systems – studies on the subject have seen it as a topic of strategic change (Gioia and Thomas, 1996), but also as a relevant knowledge-sharing element (Empson, 2001).

Long after Albert and Whetten's (1985) seminal contribution, authors renewed their interest in empirical research in OI following the the publication of the special issue of the *Academy of Management Review* in 2000. Following a decade of rich contributions, another special issue on OI (published by the *Corporate Reputation Review* in 2008) reinforced the high interest in OI studies (Van Rekom *et al.*, 2008). Recently, Foreman and Whetten (2012) have argued that the OI concept needs deeper understanding and a clearer definition. They propose a new version of the distinctive

attributes of OI, centrality, endurance, and distinctiveness (CED), to include recognizability and adaptability – CREAD – based on a two-dimensional form embedding 1) comparison – self-other or self-self over time, and 2) the need for similarity or need for uniqueness. In the same vein, He and Brown (2013) propose an overview of the literatures on organizational identity and organizational identification. The work of Schultz and Hernes (2013) emphasizes the role of the “memory of the past” in the reconstruction of the current identity and the ways in which the past influences the articulation of claims for future identity. This leads to the notions of textual, material, and oral memory forms.

This preliminary introduction shows how the intercept between OI and M&A needs further and wider investigation. This paper aims to go beyond the extant assumption that organizational ambiguity can be lessened through the promotion of a “new” post-merger identity (or the consolidation of the one of the acquiring company), or via providing multiple identities under a shared commonality. Moreover, it contributes to the enrichment of the extant literature on OI and related managerial practice by filling a specific gap in the body of knowledge on this topic: as in the case studied, multiple identities might survive within the same “new entity” without being a problem for the new-born organization. This paper reports on a case of M&A in which two firms operating in the same industry were able to let the previous organizational identities coexist, and to leverage ambiguity (rather than tackling it) through the effect of a sensemaking process. The choice of maintaining multiple identities might eventually prove more appropriate than the tendency to converge toward one of the old ones or toward a new one.

In the following sections, we first present the main theoretical contributions concerning the shift from a single identity to multiple identities, emphasizing the lack of a unifying framework. We then present our research methodology and results, reporting on how the companies’ personnel and management could react to identity-related issues during an M&A. The main contribution of the study draws on the evidence that the existence of multiple identities is not necessarily a problem for

the organization, but could instead be a source of value. Accordingly, we conclude by presenting a comprehensive interpretative framework that could nurture further discussion on the subject and inspire managerial practice.

Literature review

The recent evolution of organizational identity (OI)

The proliferation of research on OI has over the past decade has encouraged many scholars to try to systematize the extant literature in the field. For example, Ravasi and Schultz (2006) proposed the grouping of theories of OI into two perspectives, namely social actor and social constructionist. The former defines OI based on an institutional theoretical background, highlighting sensegiving as a deliberate and directive process (Albert and Whetten, 1985). In contrast, the latter defines OI based on collective shared beliefs, focusing on sensemaking as a negotiated process among group members (Gioia *et al.*, 2000). More recently, Gioia *et al.* (2013) have identified four prevalent views of OI: 1) social constructionist, 2) social actor, 3) institutional, and 4) population ecologist.

In terms of definitions, Albert and Whetten (1985) suggested that the main characteristics of OI are distinctiveness, endurance, and centrality, while Dukerich *et al.* (2002) identified OI as the intensity of the link between the sense of belonging and the self-definition of individuals. The plurality of “static” definitions of identity implies that descriptions of “how” identity changes over time can be complicated; according to Empson (2004), for example, “very little is known about the process by which OI emerges and changes over time” (p. 1). As such, there have recently been calls for longitudinal empirical studies of OI change (Gioia *et al.*, 2000).

This study is focused on the sensemaking process within a social constructionist perspective of OI. According to this approach, OI “resides in collectively shared beliefs and understandings about central and relatively permanent features of an organization” (Ravasi and Schultz, 2000, p. 434).

M&A being a dynamic phenomenon, with *ex ante*, *in itinere*, and *ex post* phases, managers should pay attention to the evolution of OI (Alvesson and Willmott, 2002). Hence the static definitions of OI are inadequate for dealing with such operations. The search for dynamic tools to gain an understanding the evolution of OI often goes back to questions about the focal organization's primary reason for existing (Albert and Whetten, 1985). These "existential" questions can easily be translated into research questions, which are typically "why" questions from a methodological standpoint (Elsbach and Kramer, 1996; Gioia and Thomas, 1996; Gioia *et al.*, 2000). Studies of OI evolution are thus usually based on "how" research questions, aimed at explaining *how* change occurs.

In terms of dynamics, other extant research on OI change has analyzed M&A (Barney, 1998), the creation of new internal organizational structures (Brown and Gioia, 2002), or a subtractive change context such as a spin-off company (Corley and Gioia, 2004). Albert and Whetten (1985) argued that change occurs over long periods, while Dutton and Dukerich (1991) discussed the relationship between organizational members' senses of outsiders' perceptions of the organization and OI. When these two perceptions differ, people question the identity of the firm (Dutton and Dukerich, 1991). Gioia and Thomas (1996) also described how managers can project a desired future image, which destabilizes current perceptions of identity and motivates people to support strategic change. Moreover, an explanation of identity change, as an alignment between OI and outsiders' perceptions, was provided by Gioia *et al.* (2000), while the relationship between OI and legitimacy was recently examined by He and Baruch (2010). Other studies on post-merger identity evolution have focused on the negotiation of boundaries (Drori *et al.*, 2013), and on the role of status and similarity in a longitudinal case study on a merger between two hospitals (Amiot *et al.*, 2013).

So far, we have moved from a static to a more dynamic consideration of OI, but still with reference to a single organizational identity. The analysis of M&A requires a further shift: as more

companies (along with their structures, personnel, and identities) are merging, we need to consider the dynamics of multiple identities, and to describe the notion of ambiguity (related to OI).

From organizational identity to multiple identities

The post-merger evolution of OI has recently been defined as a “transitional identity,” namely an interim sense held by members about what their organization has become (Clark *et al.*, 2010). In detail, Clark *et al.*'s (2010) paper adopted a grounded theory approach to examine a merger between two rival healthcare organizations. Their investigation showed that the emergence of a transitional identity was crucial to driving the change process forward, and that such an identity suspended pre-existing OIs and helped create a new identity. Specifically, the transitional identity was sufficiently ambiguous to allow for multiple interpretations, but not so ambiguous as to be threateningly unfamiliar. Clark *et al.* (2010) also presented a process model of OI change during the merger, which showed that the effort of creating a new shared identity was balanced between “sources of identity inertia” and “enablers of identity changes.”

In the same vein, according to Pratt and Corley (2007), M&A can increase the number of identities that characterize the combined organization. Many authors consider multiple OIs to exist in all organizations and suggest that their management is a key managerial challenge for modern organizations. For example, Pratt and Foreman (2000) classified four ways to manage multiple OIs: deletion (one or more identities are removed), integration (OIs are fused into one), compartmentalization (OIs are maintained but separately), and aggregation (OIs are maintained but linked). Pratt and Corley (2007) further argued that the management of multiple OIs could be driven by identity conflicts and ambiguity at the organizational level. Evidence of conflicts among members generated by the existence of multiple OIs has also been reported in different settings and through various means. In particular, Golden-Biddle and Rao (1997) studied the role of directors in a non-profit organization and showed how individual identities shape the board role through the

processes of identification and action, and how a hybrid identity generates the potential for intra-role conflict. Pratt and Rafaeli (1997) analyzed a rehabilitation unit in a large hospital and revealed how organization members used dress to represent and negotiate a web of issues inherent to the hybrid identities of the unit and the nursing profession. In particular, as different issues were discussed, dress took on diverse and often contradictory meanings. In this context, the organizational dress was taken as a symbol (or statement), revealing the social identity of the individuals.

Albert and Whetten (2000) suggested that the dual nature of OIs explains how to analyze the change from a starting point (a “normative” organization) to a “utilitarian” business, and *vice versa*, using the lifecycle of an organization as a framework, and that several multiple OIs co-exist in a company’s lifetime. They also argued that all organizations (normative and utilitarian) tend to assume a dual identity even though their evolutionary patterns differ. They further suggested that identity is salient when organizations are forming, if the organization loses a sustaining element (e.g., the founder; see the case of Oldco and Newco below), when the organization loses its reason for existing, when the organization enjoys extremely rapid growth, and when a relevant change (e.g., an M&A) occurs in a retrenchment period (Albert and Whetten, 2000). Likewise, Gioia *et al.* (2010) suggested that OI “is progressively, even continuously, negotiated by organizational members” (p. 5) following inception.

Albert and Whetten (2000) also distinguished between “holographic” and “ideographic” duality. While in holographic duality, each unit within the organization exhibits both identities, in ideographic duality, each unit within the organization exhibits only one identity that differs from unit to unit. The matrix presented in Figure 1 shows four situations from mono-identity to multiple identities.

< INSERT FIGURE 1 ABOUT HERE >

Figure 1. Holographic and ideographic identities (adapted from Albert and Whetten, 2000)

Multiple identities produce ambiguity. Corley and Gioia (2004) defined identity ambiguity as “a collective state wherein organizational members found themselves without a good sense of who they were ... or a sense of what the future held for them as an organization” (p. 178). Such ambiguity can be tempered by a profusion of specific efforts towards clarifying language and sharing meaning (Gioia *et al.*, 2000). Members answer the question “Who are we?” using identity labels, but each identity label can have multiple meanings associated with it (Corley and Gioia, 2003). Therefore, identity change can take one of two forms: through a change in the labels used to express identity, or through a change in the meanings of those labels (Gioia *et al.*, 2000). A change in labels highlights the importance of managing rhetoric during planned change (Ashforth and Humphrey, 1997; Fiol, 2002). As Oliver and Roos (2007) underline, the description of organizational identity is generally text-based, made of words/labels. According to the authors, this allows little exploration of “multiple intelligences, emotions and individual/collective identity representations” (p. 342); subsequently, they proposed a novel method in which management teams developed representations of the identities of their organizations using three-dimensional construction toy materials, with one of the main benefits being the possibility of collecting identity representations integrating unconscious or “tacit” understandings, which led to the enactment of organizational change.

By introducing the possibility of meaning-based identity, change can be defined in terms of “sensegiving” and “sensemaking.” Sensemaking represents the act of constructing interpretations of ambiguous environmental stimuli (Weick, 1995), whereas sensegiving is a deliberate attempt to shape the interpretations of others (Gioia and Chittipeddi, 1991). The differences between OI, social identity, and corporate identity have recently been clarified, underlining that organizational identity research tends to address the patterning of shared meanings (Cornelissen *et al.*, 2007). Ravasi and Schultz (2006) proposed an alternative framework to explain changes in identity, which includes sensegiving.

This framework suggests that the collective recognition of internally and externally directed dynamics of identity can respond to perceived identity threats. The redefinition of the identity can therefore be influenced by the external perception of the organization and by beliefs about its idiosyncratic patterns of behavior (Ravasi and Schultz, 2006). Also the adoption of IT solutions impacts the sensemaking process following a merger (De Bernardis, 2012), and OI serves both as an enabler and as a constraint on organizational ICT development (Giustiniano and Bolici, 2012; Tyworth, 2013; Vierua and Rivard, 2014).

The consequences of change initiatives at the organizational level have been studied, with a specific focus on OI. For instance, downsizing activities can be incoherent for universities the identities of which are based on being a prominent research institution (Madison *et al.*, 2012). In the same vein, Bridwell-Mitchell *et al.* (2012) found evidence that the transformation of employees' conceptions of OI depends on managers' communication strategies. A multiple view of identity can also help to replace an "idealized" form of OI that ignores the "real" world (Bond *et al.*, 2012) and to consider the dynamics of non-explicit social identities (Gover *et al.*, 2012). According to Bartling *et al.* (2006), OI after a merger can be measured as the expected identification prior to the merger; they identify five determinants to explain the employees' expected identification: identification with the pre-merger organization, sense of continuity, the expected utility of the merger, the communication climate before the merger, and communication about the merger.

In this paper, we adopt a definition of multiple OI that draws on the social constructionist approach declared above. Therefore, we assume that an organization has multiple OIs when different collectively shared beliefs and understandings (resulting from sensemaking processes) exist regarding what is central, distinctive, and relatively enduring about the organization.

The literature review has shown how studies on OI have already analyzed some of its various aspects: static *vs.* dynamic concepts, single *vs.* multiple, ambiguity *vs.* clarity, sensemaking, and sensegiving. Despite the vast number of contributions in the literature, the role of sensemaking in

the evolution of OI is still lacking a systematic framework. In the social constructionist approach, the concept of OI is plural and dynamic: the OI is the result of sensemaking. In line with this approach, the sensemaking process is the focus of this study because OI describes how people make sense of a changing reality. From the OI perspective, the M&A phenomenon provides an interesting opportunity to study organizations that have multiple identities. Even though previous studies have analyzed the post-M&A evolution of OIs, they have considered this process by examining only a singular identity. In contrast, the evolution of multiple identities has received insufficient attention from OI researchers. This paper aims to bridge this gap in the body of knowledge on this topic. Specifically, it addresses the following research question: *How does the sensemaking process in OI change bring about multiple identities in organizations?*

Methodology

Consistent with many of the studies presented on OI, we conducted an investigation using a qualitative approach. Because organizations prefer to declare stability in their identity (Whetten and Godfrey, 1998), it can be difficult to observe change in OI. According to Yin (2003), case studies are a useful technique when there are no secondary data on the post-merger integration process and direct access to real-life organizations becomes necessary. In fact, Yin (2003) argues that a research strategy should be based on a case study if the form of research question is “how” or “why,” the control of behavioral events is required, and the focus is on contemporary events. According to Shramm (1971), “The essence of a case study ... is that it tries to illustrate a decision or a set of decisions.” Our research question focuses on the collective decision in making sense of the new reality post-merger. In detail, we focus on the relationship between a managerial decision (OI strategy) and that collective decision (making sense of new reality). Therefore, we defined the following case selection criteria: a specific M&A goal, a successful merger, and an ongoing process of change.

The choice between a single or a multiple case study is a consequence of research design that, according to Yin (2003), requires a well-defined research question, some propositions or purposes for exploratory designs, the definition of units of analysis, the definition of the logic linking data to propositions, and criteria for interpreting the findings. Although our grounded approach did not allow us to state propositions, we worked under the assumption that in the case of M&A, multiple identities could successfully coexist within the same (resulting) organization. The evidentiary basis to support such an assumption was explored through a single case study.

The choice of the merger between the companies that we will name “Oldco” and “Newco” was inspired by the necessity to analyze an “in vivo” case, one that was still going on, and with solid business-related foundations. The Oldco–Newco case matches three specific selection criteria for studying the dynamics of M&A (e.g., Burgelman and McKinney, 2006): 1) a merger considered successful by both the participating companies and the financial markets; 2) a process of operational and organizational integration still running at the time of the investigation; 3) a rationale for the operation based on strategic reasoning (i.e., exploitation of synergies, complementary business portfolio), rather than mere financial speculation. On the latter point, several studies have proposed classifications of M&A based on “reason why” criteria. For instance, it is trivial to observe that the managerial response in an M&A that finds its reasons in destroying a competitor differs from that in an acquisition that opens a new market in a country with a different culture, or aims to benefit from knowledge spillovers (Perri and Peruffo, 2015).

Data collection and analysis

Data collection was based on three principles:

1. The use of multiple sources of evidence to search for converging findings from different sources, thus increasing construct validity.

2. The creation of a case study database containing case study notes and documents, tabular materials and narratives.
3. Maintaining a chain of evidence (link between the research questions and the case study procedure).

Over a period of about 24 months, we carried out eight open interviews with managers and 21 semi-structured interviews with employees to describe the post-acquisition integration process for the sample firm. We also collected internal and external archival data. Managers were interviewed using an open methodology to allow the free description of the evolution of identities. Interviews with employees were based on 10 questions with the aim of focusing the investigation on the main aspects underlined by managers.

We also analyzed a set of slides presented after the acquisition describing the financial and strategic data of the two companies, a video and several press releases to identify the desired organizational identity and match these data with managers' perceptions.

< INSERT TABLE I ABOUT HERE >
Table I. Data collection

We used Nvivo software to analyze the data. After uploading the transcripts of all interviews and secondary data, we linked each sentence or paragraph to a node (a sort of concept). These concepts were identified step by step to find a single word that could summarize the meaning of the sentence. For each selected sentence, the software proposes all previous nodes or the opportunity to input a new node. In this way, the plurality of sentences is gradually reduced and they are grouped in more general concepts. Paragraphs can be linked to one or more nodes. Data analysis was then conducted in three phases.

- Phase 1: The statements in each transcript were linked to the first-order concepts defined.
- Phase 2: Each first-order concept was linked to more general second-order concepts (see Table II).

- Phase 3: A framework was formulated to explain the OI change in the analyzed firms.

In the following section, our findings are described using quotations from the interviews for illustrative purposes.

< INSERT TABLE II ABOUT HERE >

Table II. From 1st and 2nd order concepts to a grounded model

Research setting

This paper is based on the case of the acquisition of Oldco by Newco. Some data about the two European organizations is necessary to aid understanding of the identity issues the paper addresses.

Both Newco and Oldco had a long history and run their business in pharmaceutical industry. In 2006, Newco announced the acquisition of Oldco for more than €10 billion. The Newco Group was then organized into pharmaceutical and chemical activities. After the acquisition, Oldco was combined with the ethical division within the pharmaceuticals business sector of Newco. The headquarters of this division was moved to the town where Oldco operated, creating a leading global supplier of biopharmaceutical products.

< INSERT TABLE III ABOUT HERE >

Table III. Company profile

Findings

In the same vein as previous papers (Corley and Gioia, 2004, p. 184; Gioia and Chittipeddi, 1991, p. 444; Ravasi and Schultz, 2006), our findings seem to provide evidence of a double-step process: an attempt at sensegiving (a deliberate strategy of identity aggregation) and a social process of sensemaking. This social process shows four trade-offs proposed to people, which they solve together during the post-acquisition period. In the following paragraphs, evidence from interview transcripts is grouped into two sections (the definition of old and new identities, and resulting trade-offs).

Definition of old and new identities

The findings of this study suggest that the two companies preserved their old identities while at the same time integrating them for the greater good. People describing the acquisition defined the old identity of Oldco as a “quick,” specialized, leader-dependent company. Participants often used the word “quick” to define the OI of Oldco, for example in terms of its speed and ease of decision-making. “Specialized” was also frequently used. They underlined this specialization to distinguish the “ethical” Oldco from Newco, which produces treatments that are characterized by low prices and high sales volumes.

Other terms used were “lean,” “short-term oriented,” and “family.” Oldco used to have “double-digit growth” and was explicitly ready to buy other companies before its acquisition by Newco. One manager said: “A few months before the acquisition, the CEO invited us to a meeting in Spain to announce that he wanted to buy other companies and asked us to tell everybody in Oldco.” Oldco also had multiple identities because of its operational separation among different sites. For example, marketers did not consider researchers or manufacturing workers to be included “when they said the ‘we’ word.”

At the same time, people defined the old identity of Newco as a solid, managerial company. In the case of Newco, the most frequently used word was “solid” in reference to “its long and established history.” The link between nationality and solidity was clear in people’s narratives. One employee stated: “In Newco, we do what we say.” Newco is also a large company in a market in which size seems to be a source of competitive advantage. However, the large size of the company also had some negative connotations when it came to procedural bureaucracy. This slowness and bureaucracy was a problem for Newco as it attempted to improve its market share in Italy. One manager mentioned that even though “in Italy, the Newco identity has been deleted,” it still

“attempted to grow through salesforce growth, acquisitions, co-marketing ... but decision making was too slow. We needed a quicker model.”

The process of OI evolution described by those interviewed leads us to consider the OI resulting from acquisition as a multiple identity based on shared group values and singular local identities. Drawing on the work of Pratt and Foreman (2000), both identity synergies and multiple OIs seem appropriate; in short, the managerial response was identified as an “aggregation.” These authors described such an aggregated managerial response as the decision to maintain both identities as well as to forge links between them. They argued that these linkages “can take at least two forms: (1) the creation of an identity hierarchy and/or (2) the creation of new beliefs,” and that “individuals can aggregate their identities by ordering them in an identity salience hierarchy” (p. 32). Therefore, this hierarchy is not rigid (an identity can be more or less salient in a specific situation), but it does offer a way of avoiding role conflict (Pratt and Foreman, 2000).

The evidence from the case study shows that the individual identities of both Newco and Oldco were maintained, but that a common set of group values was also created: each identity was still alive but, at the same time, a clear group identity was communicated. In this way, people followed their own identities while invoking the group identity in the face of conflicts, leading the acquisition to be perceived from within as a success.

According to this model, cost-cutting was not a major priority. Among the rational reasons for Newco’s acquisition of Oldco, cost savings did not play a central role. Rather, the acquisition aimed to generate significant value for shareholders, with strong sales growth (approximately 10%). In addition, the interview with the CEO confirmed that the cash flow used for the acquisition was rapidly recovered. Furthermore, the managers interviewed stated that a sanction assigned to Oldco played no part in the decision to proceed with the acquisition (see previous section for details): *“I think that it [the sanction] was not important for the CEO’s decision. He understood only that Oldco could no longer grow at a double-digit growth rate and so he preferred to sell. He*

was very smart in selling at the right moment and he received a price that we didn't believe possible.” Nevertheless, Oldco’s profitability and its favorable cash flow were still part of the attraction for Newco in the acquisition.

Another reason for the appropriateness of aggregation was the future strategic value of the existing identities. One reason for the present crisis in the pharmaceutical sector is the duration of patents. One manager explained this crisis in the following way:

“In Italy, it is easier to reduce costs on pharmaceutical expenses because they are clearly tracked from the beginning of the process to its end. ... Small companies have been sold to larger companies, which are closing R&D departments. Patents were once more than 30 per year and now there are far fewer ... Patent law has also reduced the period of exclusivity, while bureaucratic procedures in Italy have reduced them even more.”

In this context, drug treatments that potentially have a high future value have an increased present value. Newco confirmed this concept in a press release after the acquisition: “With the combined innovative power of two strong companies, we have a unique opportunity to create a superb union of pharmaceutical chemistry and biotechnology. We want to utilise the best of both companies ... for a successful future.”

Moreover, there was powerful stakeholder support for the existing identities. The managers interviewed explained that *“marketing activities in the pharmaceutical industry are based on influencing the advice given out by General Practitioners rather than the final customer.”* Therefore, it was important to influence physicians’ expectations. Medical professionals believed that Oldco had a high reputation as a niche specialist, while Newco had a history of more than three centuries, which was perceived as providing solidity. The combined qualities of the new larger company thus provided additional confidence about the future, especially so during such a deep economic crisis.

Pratt and Foreman (2000) suggest that high synergies are required for a successful acquisition and that “managers may be forced to forge linkages between the two identities” (p. 25). They also argue that “by managing the conflict in this way, an organization also effectively preserves its ‘response flexibility’ by allowing different parts of the organization to maintain their own identities” (p. 25). The example reported in Pratt and Foreman’s (2000) paper concerns a medical clinic where physicians and managers have different identities (professional or profit maximizing) but “both managers and physicians rely on each other for the ongoing survival of medical establishments” (p. 25).

Senior management aimed to “*take the best of each company.*” The integration of the information systems in both companies is a clear example of the rational decision-making process in this regard (De Bernardis, 2012). The acquisition also provided an opportunity to adopt identical software across all Newco divisions: “*We took something from Oldco and something from Newco.*” The complementarity of businesses and functions suggested an aggregated managerial response to the prevailing multiple identities, which were considered to be appropriate for creating synergies through a “*common group value.*” This notion of a shared value is one of the typologies described by Pratt and Foreman (2000), namely a hierarchy of multiple identities. Employees know that each country or department has a specific identity, but also that if those identities generate conflict, the overarching values of the combined group will guide behavior.

Our case study also demonstrates the different meanings assigned to the word “we” by interviewees. Many participants used “we” only when referring to their own sites or departments. However, even though respondents described the sub-identity to which they felt closest (e.g., department, site, company), a global identity was gradually being cultivated. A young employee said: “I surprised myself when I said that ‘the color of Magnum Gold [the ice cream] is made with OUR pigments’ and I realized that the sense of ‘WE’ was changing in me.”

In the same vein, the managerial response identified herein as “aggregation” might also be defined as “deletion,” namely the removal of a certain characteristic or attribute. Therefore, it is important that the business boundaries be well defined in order to identify which managerial response (aggregation of deletion) has been implemented (Marchegiani *et al.*, 2012) because a global strategy of “identity aggregation” is sometimes needed to remove certain components of local identity.

Resulting trade-offs between resistance and support for change

Respondents described the post-acquisition period as a moment of ambiguity. During this period people had to decide whether or not to support the change or resist it. People described what they considered a value in the old identity and what they considered a point of weakness. The decision to support the change would depend on the behavior of new managers regarding these points.

The leadership style appeared to be an ambiguous point, described as a strength and a limitation at the same time. In Oldco, the CEO’s leadership was recalled by many interviewees as linked to a lack of bureaucracy (the firm’s “quickness”) and his absolute control in the company. Oldco was identified closely with its CEO: “*When he came to the office, he returned home.*” Many participants referred to him fondly by the Italian word *padrone*, which is usually used for small family-owned enterprises, underlining that he made decisions quickly and often correctly. In contrast, Newco was described as having “*managerial’ governance*” because “*the Newco family, although on the board of directors, plays no operative role.*”

Local autonomy was one of the innovative managerial values introduced post acquisition. Whereas the Oldco CEO was an entrepreneur beforehand, following the acquisition, all managers were required to be entrepreneurial. As stated by one participant: “*Now the process is more evolved. Objectives are targeted towards the long term. Now we have a broader decision-making process. In Oldco, sometimes decisions were unclear because the CEO decided based on only*

partial information.” Moreover, organizational business units were created: *“This unit reports to me and we can look for agreements or co-marketing opportunities as well as local acquisitions. We have to use business plans and procedures, but we have real autonomy.”* An example of this degree of autonomy was when Newco removed some older treatments from its product portfolio: *“We demonstrated that in Italy one of those treatments still had a sales opportunity and the group allowed us the autonomy to decide to sell that drug only in Italy.”* Another manager said:

“I think that in this company we are motivated by values that people believe in and that are positive. Senior management always stresses this aspect. Their behavior is a coherent example of these values. This is the main difference between this job and previous experiences.”

The second point recalled by respondents was the *“old identity strength.”* People in Oldco were convinced that Newco would respect Oldco after the acquisition because of its well-known quality, reputation and quickness. The HR manager stated: *“We were a company with a high attention to product quality, able in making quick decisions and with a high reputation in a specific market.”* The words used most often to describe the old identity of Oldco before the acquisition were *“quick,” “feline,”* and *“lean.”*

On the other hand, before the acquisition, Oldco was already struggling with some multiple identities diffused throughout the company. They actually remained so after the acquisition and they even increased. Oldco was focused on developing biotechnologies to treat serious diseases, whereas Newco concentrated on chemical production and the development of *“blockbuster”* drugs to treat diverse illnesses. *“Producing liquid crystal is different from producing drugs in a laboratory. It is an important source of change.”* These differences were also mentioned within the pharmaceutical business: *“Our treatments are for serious diseases. Nobody receives them without physicians’ advice. They are not drugs that you can buy on the high street. If you haven’t got those diseases, it’d be dangerous to take those treatments.”*

In the past, Oldco had weak links between its research, marketing, and manufacturing departments. Indeed, the HR director admitted that “*separation among sites is still high*” and that “*HR management prefer to have decentralized power.*” One manager confirmed the multiple identities present in Oldco by explaining why the sanction by the Authority did not encourage the CEO to sell the firm:

“No, I don’t think it [the sanction] was important in the decision to sell the company. We produce treatments against serious diseases [HIV, infertility, growth hormone deficit] and people don’t receive these drugs without their physicians’ advice ... Also our researchers, sales representatives, and marketing employees know that we are important to our patients. We must make profits in order to produce treatments that save their lives and develop new treatments more effectively.”

In other words, research relies on profits, and patients rely on research; thus, all parties are reliant on the firm making a profit.

The opportunity to “modify something” to satisfy new market needs was a point recalled by many responders as an enabler of change. After the acquisition, employees were also exposed to a trade-off between the maintenance of old values and responsiveness to market needs. For instance, the two companies shared common values (e.g., pride in their individual origins) but had different and complementary identities: Oldco was a specialist, whereas Newco was a chemical producer and a manufacturer of generic low-cost drugs. Many respondents discussed these two common aspects in Oldco’s and Newco’s identities. Both companies paid a lot of attention to their own histories, but also shared the capability to anticipate change. This capability to look to the past and to the future simultaneously constituted a winning strategy according to many participants. Interviewees also stressed that the two companies were strategically complementary. Oldco’s experience in the pharmaceutical market was necessary for Newco to be more entrepreneurial, while Oldco needed to have more procedures in order to grow. In addition, the joint business could better resist the

cyclical nature of market trends. Another source of compatibility was the companies' nationalities: Italians consider Germans to be reliable, solid, and well organized. For instance, one manager said: *"The approach has been soft, of sharing ... a search of the best of each company."*

The larger size of the group after acquisition was also a positive message for employees: *"We are a company ... that has high longevity and is able to survive for a long time."* This survival attitude removes ambiguity during periods of crisis and can help sensemaking by providing another justification for approving the acquisition. Some other words used were "teamwork," "relationship," and "pride."

The ambiguity about how the acquiring company should have dealt with these three points (leadership, old identity strength, and the capacity to satisfy new market needs) was gradually reduced after the acquisition, generating trust in the new owners. At the time of the acquisition, ambiguity within Oldco was indicated frequently by interviewees. One employee said:

"We were attending a training course and some people wanted to stop the course. The concern was the fact that shortly before, the CEO said he wanted to buy companies, not to sell Oldco. It was the opposite. [Since companies with similar names were present in the industry...] We did not know which Newco, whether it was the German or the American firm. Then things were clarified."

Knowledge concerning the acquiring company was scarce. Few interviewees knew Newco because it produced generic treatments rather than specialized drugs like Oldco. Many interviewees admitted that when they received news of the acquisition *"through a simple e-mail,"* they thought that the acquiring company was the homonymic US-based Newco, *"So, we were very worried about our futures."* However, when it was clear that it was the European Newco, someone said, *"It was the best acquisition that we could have!"* Although managers knew nothing of the potential acquisition before it was agreed, they admired the CEO for his capacity to sell the company *"at the*

right moment” and *“at an excellent price for him.”* Furthermore, the transaction was carried out *“between the Newco family and the CEO’s family.”*

Ambiguity also continued after the original news had been announced. The move of Newco’s head office from Milan to Rome was the most frequently mentioned symbol of change. This organizational transfer removed the main source of ambiguity. *“When we began to work side by side with Newco colleagues, we realized that change had happened.”*

Another clear sign of the managerial strategy of the newly integrated firm that contributed to increasing the trust in the new owners was the choice to relocate the headquarters of the pharmaceutical business unit to Oldco’s headquarters. Interviewees considered the change management process to be transparent and rational, while important decisions, such as whether to adopt the SAP solution already used by Newco, were taken mindfully. The CFO claimed that the management team used *“common sense”* and *“rationality,”* especially compared to a similar situation when he worked for a US tire producer. Furthermore, the adoption of SAP was an opportunity to make sense of a new reality (see later) that was still in development. According to the HR director: *“First, we aligned compensation and job description”* in order to reduce ambiguity for the former employees of Oldco; however, at the same time, Newco values were clearly being imposed.

When interviewees spoke about the new identity, they underlined the fact that *“Newco pays more attention to employees,”* and similarly, *“We are a well-structured and solid organization that cares about the wellbeing of its employees.”* An employee that worked on a product retired from the market said: *“When the company retired the product, all the people were reallocated to different products in a transparent process.”* Finally, the company’s ethical standpoint was transparent: *“We are an ethical, responsible, and values-oriented organization,”* and *“we want to respect the rules of our marketplace.”* Similarly, according to an official press release following the acquisition, *“the*

aim [of the acquisition] is to achieve a clearly performance-oriented organisation [with] a structure based on transparency, fairness, honesty, and mutual respect.”

Respondents successfully made sense of new reality posed by the acquiring company because a multiple identity was proposed. This solution takes the best from each company.

Categories emerging from the data analysis

Although respondents were free to relate their own perceptions of the acquisition process, they all followed more or less the same path in terms of logic.

< INSERT TABLE IV ABOUT HERE >
Table IV. Grounded evidence from the interviews

As shown in Table IV, people made sense of the new reality through interacting with the new owners and colleagues. In this way, they removed some sources of ambiguity and became confident about the future. Even if they could not decide on the appropriateness of the leadership style and old identity strength, they shared the opportunity to benefit from the larger size of the organization and to maintain old values. Nevertheless, their trust in the new owners was improved by their behavior. These relationships have been collected as reported in Table II and support the elaboration of the model presented in the following section.

These results suggest an answer to our research question: *How does the sensemaking process in OI change bring about multiple identities in organizations?* In this case, during the sensemaking process, people decided whether to support the change or not, and this decision depended on their opinions of leadership appropriateness, the value of the old identity, the capacity to satisfy new market needs, and the behavior that the new owners would adopt in dealing with these aspects. The possible results could be complete resistance to change (if people want to maintain the singular old

identity), a complete commitment to change (if people want to create a totally new singular identity), or a multiple identity (if people want to take the best from each “side”).

Discussion and conclusions

The evidence presented in the previous section can be generalized in order to answer our research question and explain how the sensemaking process in OI change brings about multiple identities in organizations. As many responders suggested during the interviews, the sensemaking process can be described as a fight between resisting or supporting the change proposed in the sensegiving phase. Under certain conditions, people resist completely (they want to maintain the old identity), or they support the change absolutely (they “buy into” the new identity totally). In the middle, there are several combinations of multiple identities. The originality of our contribution is the consideration that these combinations are not transitional, and they can be a successful and organizationally sustainable solution.

Hence, based on a grounded methodology, we collected the qualitative data used in this study through interviews with the managers and employees of an acquired company, and formulated a model to describe the evolution of OIs. The resulting model is presented in Figure 2. This representation shares common points with previous models proposed by other scholars, for instance, the dual presence of sensegiving and sensemaking (Gioia and Chittipeddi, 1991; Ravasi and Schultz, 2006), and the balanced effort between opposite forces (Clark *et al.*, 2010). Nevertheless, it extends existing research on the subject by introducing the original concept of multiple OIs as a possible output of the sensemaking process.

< INSERT FIGURE 2 ABOUT HERE >

Figure 2. A model for the post-M&A evolution of multiple OIs

The framework shown in Figure 2 describes the post-M&A evolution of OIs as a sensemaking process that takes place when people interact, and once the other company is known, enables them to appreciate the diversity of the mutual identity as a source of value rather than viewing it as a problem to solve.

The main conclusion of the findings presented herein is that the output of this process can be single or multiple OIs. This output depends on both the appropriateness of the managerial response (sensegiving) and the success of the sensemaking process with respect to the four trade-offs in our model. The output is a continuum of multiple identities with two extreme points at which the output is a singular identity. At one extreme, people resist change and the identity is singular because all trade-offs are solved by people's decision to resist change. In this case, if the strategy that management tries to implement is the creation of a new identity, it will fail because people do not want to change. On the other hand, if the strategy adopted is "compartmentalization," it could be accepted. At the other extreme, people are completely committed to change and the identity is singular because all trade-offs are solved by people deciding to embrace change. If this case, if the strategy adopted by management is "deletion," it will work because people want to change. Between these extremes, people will support change if they perceive that some conditions in terms of leadership appropriateness, new market needs, and the value of the old identity are respected by the new owners. In such cases, multiple identities will be the output.

This model can be used to explain how the sensemaking process should be considered as a condition for a successful identity change strategy. For instance, in our case study, the strategy of aggregation (producing a multiple identity) successfully passed the "sensemaking filter." The people working in Oldco perceived the personal leadership of their CEO as an asset, but they also considered managerial leadership a new requirement for competing in the global market. At the same time, they gradually lost their sense of ambiguity and gained trust in the new owners. Nevertheless, they seemed less clear about both the trade-off between being proud of the old

identity versus being conscious of its weaknesses, and the trade-off between the persistence of old values versus the strength of new market needs. Therefore, they supported a change that preserved aspects of the old identity, but with a future value. In this case, the strategy of aggregation proposed by the acquiring company made sense to and for the people in the acquired company. As is clear from the interviews, some years after the acquisition was completed, this strategy of creating multiple identities under a shared group identity seems to have been successful. Furthermore, as is also clear from the interviews, the sensegiving and sensemaking processes are not sequential, and the ambiguity/trust trade-off can describe how people perceive the sensegiving strategy and at the same time make sense of the proposed change. Table V describes relationships among the four strategies classified by Pratt and Foreman (2000) and the conditions for successful sensemaking.

< INSERT TABLE V ABOUT HERE >

Table V. Sensegiving strategies and conditions for successful sensemaking

The framework proposed in this study (Figure 2) can therefore contribute to explaining what happens after an M&A event from an organizational perspective. Any kind of M&A ultimately creates multiple identities because people who used to work in different firms are forcibly merged into a new environment. The extant literature considers this plurality of identities to be a normal situation in the lifetime of any company. Nevertheless, the multiplicity of identities is also considered either a temporary condition or a source of trouble during the M&A integration process. Although studies on M&A suggest mixed results in terms of success, it is quite clear that the need to reduce the failure rate should encourage managers of the acquiring company to select a suitable strategy for dealing with OIs (sensegiving), and to facilitate the sensemaking social process that takes place during people's interactions. The results presented imply strongly that senior management should plan a response to multiple identities, while the literature suggests considering the evolution of OIs as a social, gradual, and continuous process. In short, the case of Oldco–Newco shows that certain peculiar characteristics of the merging companies might allow the

existence (and the persistence) of a multiple organizational identity. In this specific case, it seems that the complementarity of the product portfolios of the two companies, and therefore of the distinctive competences and competitive fields, has allowed the creation of the conditions of tolerance and trust enabling the coexistence of the two “old” identities within a new hybrid one.

Practical and theoretical implications

Given the progressive diffusion of M&A globally, the findings presented here can provide theoretical and practical implications for both scholars and management practitioners. First, this paper contributes to the debate on OI by re-examining the role of sensemaking in the evolution of OI. While the dominant positions tend to suggest driving change, we propose facilitating sensemaking as a social process, lasting far beyond the formal and operational conclusion of the M&A. In particular, our findings further explain the effect of identity during the M&A process and its implications for “bounded rationality” approaches to change management.

At the same time, managers dealing with the process of organizational change could use the results of this study to design a clear strategy to manage OIs in a planned way, for example by involving HRM techniques or encouraging the link between brand evolution and its “internal” consequences. The main practical contribution is the advice for managers to consider both sensegiving and sensemaking as necessary processes that must be managed during identity transitions. They are invited to plan a deliberate strategy for the evolution of OI, and to understand that the real change takes place in social contexts (organizations) in which sensemaking could be encouraged through solutions of organizational design (i.e., heterogeneous task forces) and people management (i.e., training in OI rather than just in technicalities). Furthermore, OI could be the object of an internal communication strategy based on the new “labels” that define and identify the resulting company. Such a strategy would also help employees to make sense of the new labels, reducing ambiguity and improving the effectiveness of the acquisition process. Practitioners could

also use cognitive maps to nurture the sensemaking process; for instance, they might organize meetings that focus on researching common points among cognitive maps. Furthermore, managers could use the matrix “reasons for the acquisition/strategies for merging OIs” to classify their own case within a wider taxonomy and thereby choose the most suitable strategy. The relationship between individual-level identity and OI might stimulate a multidisciplinary approach toward organizational learning.

Research limitations and suggestions for future research

Despite the inner limits of grounded research based on a single case, we posit that this research can shed light on the main issues related to OIs during the M&A implementation process. Other studies could start from the assumption that multiple OIs could represent appropriate solutions for creating organizational harmony during post-acquisition processes, and complete this area of analysis by researching other case studies with different identity strategies (deletion, compartmentalization, and integration), and matching the results with the reasons for the acquisition.

In the same vein, other studies could consider companies active in the same industry and confront the “words” we detected with the “senses” they could assume in different organizational settings. Similarly, the observation of the same case over a longer time period could enhance the amount of knowledge on the subject.

Furthermore, in the case of multiple identities, the analysis of the specific contingency factors (size, strategy, environment) that could facilitate the “survival” and the maintenance of the plurality of OIs would enrich understanding of the dynamics of M&A processes.

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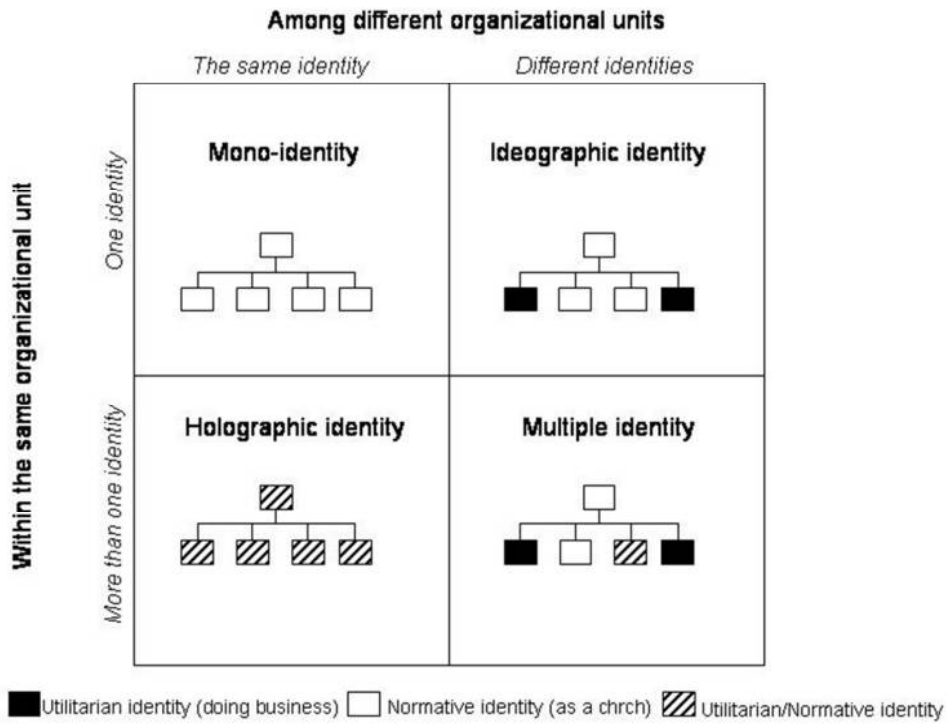
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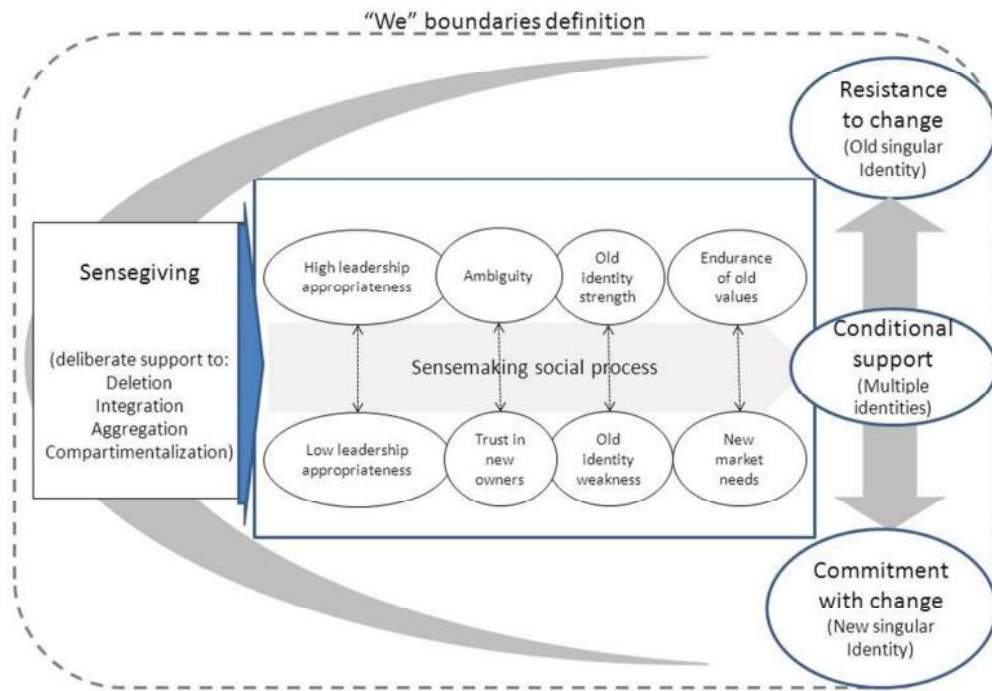


Figure 2. A model for the post-M&A evolution of multiple OIs
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Data type	Quantity	Original data source
Interviews	29	Informants
Press releases	16	Company web site
Set of slides presented after the acquisition that describes financial and strategic data of both companies	1	Company web site
Financial prospectus	1	Company web site
Video	1	You tube
Press interview	1	Business magazine

Grounded model component	2nd and 1st order concepts	Frequency in narratives
Sensegiving	Aggregation	2
	Common aspects	2
	Common values	7
	Complementarity of business	1
	Context understanding	2
	Create a new identity	1
	Differentiation	6
	Enter in USA	2
	Good cash flow	1
	Growth	1
	Multiple identities	12
	National compatibility	5
	Serono brand is a value for physicians	5
	Strategy	1
	Support of internal stakeholder	1
Synergy	1	
Trade-off personal vs managerial leadership	Personal leadership	
	Bertarelli is a financial man	1
	Serono had a governance "padronale"	4
	Serono was a family	1
	Managerial leadership	
	A family acquisitions	1
	A product retire as a symbol	1
	Group guide lines	4
	Local autonomy	9
	Merck has a management marketing oriented but ethic	1
	Merck has a managerial governance	4
Situational leadership	1	
Trade-off ambiguity vs trust in new owners	Ambiguity	
	Ambiguity	13
	Christmas convention as a symbol	1
	People didn't know Merck	10
	Surprise	8
	Trust in new owners	
	A convention as a symbol	2
	A good managerial response	3
	A transparent evaluation	2
	Change in IS as a symbol	1
	Confidence	1
	Empathy	1
	Few mandatory decisions	1
	Headquarter placement as a symbol	2
	Information systems integration	14
Merck gives more attention to people	8	

	One format as a symbol	1
	Take the best from each part	4
	Team work	2
	The "move in" as a symbol	4
	We want stay together	2
Trade-off old identity strength vs weakness	Old OI strength	
	Italy as an example of success	1
	Serono has ever been a leading company	1
	We are proud	1
	Old OI weakness	
	Department are still separated	1
	Internal differences	4
	Serono had separated Departments	3
Trade-off endurance of old values vs new market needs	Endurance of old value	
	Attention to the past and anticipation of change	3
	Serono had a good governance	1
	Serono was anticipatory with regard to change	1
	We are a family	1
	Market needs	
	A larger structure	1
	Large group	4
	Merck in Italy	3
	Merck is multinational	1
	Serono was focused on their actual products	1
	Serono was short term oriented	2
	Shorter profitability of patents	1
Size as a competitive advantage	1	
We boundaries	"we" boundaries	9
	In Italy managerial response "deletion"	9
	me and the company	1
OIs definition	Merck has a long history	1
	Merck is reliable	2
	Merck is solid.	5
	Merck was chemical	1
	Merck was slow	1
	Serono was lean	1
	Serono was Quick	7
	Serono was specialized	4
	Total narratives	229

Merck Serono S.A. key figures	
Turnover	8,211 (US\$m)
Employees	15,600
Focus of production	Neurology, cancer, immuno-oncology and immunology treatments.
R&D location	US, Germany, China and Japan
R&D budget	€1 billion per annum
Italian sites	A factory in Bari, a R&D center in Guidonia and administrative offices in Rome.
Headquarter	Geneva, Switzerland

Phase		Sample quotes	Emerging categories
Before the acquisition		<i>In Serono, we are quick, lean, specialized. I remember our CEO playing in the factory when he was a child.</i>	Old OI
Acquisition announcement		<i>Which Merck, the American or the German one? Our CEO announced that he was acquiring companies not selling. Will we move to Milano? Will they fire our managers?</i>	Ambiguity
Interaction with new owners		<i>Merck is solid, large, formal. Their decisions have been made mindfully. They recognize that each country is different.</i>	Sensegiving
Making sense of new reality	Reasons to resist change	<i>We have a CEO with strong leadership. (LEADERSHIP) Our customers give value to our brand. (ENDURANCE OF OLD VALUES) We are very specialized. (STRENGTH OF OLD IDENTITY)</i>	Resistance to change
	Reasons to support change	<i>We need a more managerial leadership style in global markets. (LEADERSHIP) We need a larger size to compete. (NEW MARKET NEEDS) Now decisions are not only the opinion of the CEO. (WEAKNESS OF OLD IDENTITY) They do what they say. (TRUST IN NEW OWNERS)</i>	Commitment to change
Post-acquisition		<i>Now we have a clear group identity but also a local autonomy.</i>	New (multiple) identities

Table IV. Grounded evidence from the interviews

Sensegiving strategy	Proposed change in Organizational Identity	Conditions for a successful sensemaking			
		Leadership appropriateness	Ambiguity persistence	Old identity strength and future value	Relevance of new market needs
Aggregation	Separate identities but coordinated	No	No	Yes	Yes
Compartmentalization	Completely separate identities	Yes	Yes	Yes	No
Deletion	The old identity is deleted	No	No	No	Yes
Integration	A mixed new organizational identity	No	No	No	Yes