Effects of Information Systems adoption, implementation and assimilation on Organizational Identity during the integration process after an M&A

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Abstract
The aim of this paper is to illustrate how the adoption of new Information Systems (IS) affects the process of Organizational Identity (OI) evolution after an M&A. Within a wider case study about an acquisition in chemical/pharmaceutical industry, we isolated the effects of IS (SAP) adoption, implementation and assimilation on the organizational identity. Evidences from this case study demonstrate that, after an M&A, the IS adoption, implementation and assimilation can be more mindful. This kind of innovation with IT can also contribute to sensemaking process, helping the evolution of Organizational Identity. In facts, working on daily operational problems, it is retrospective, it is source of public interactions and it forces to share new symbolic labels.

Theoretical Background

Studies about integration process following an M&A suggest that performance of acquisition depends on capability to manage the integration process and that this capability is related to the following variables: Cultural differences (evidence of negative effects), Level of integration (evidence of positive effects), Degree of managers replacement (evidence of negative effects at certain conditions), Experience in dealing M&A (ambiguous evidence), Knowledge codification (evidence of positive effects).

Ravasi and Schultz propose to group theories about organizational identity into two perspectives: Social Actor perspectives versus Social Constructionist perspectives (Ravasi and Schultz, 2006). During organizational changes (for instance after an M&A) managers should pay attention to identity evolution: this process has been defined “identity regulation” (Alvesson and Willmott, 2002). Most research on organizational identity change has analyzed mergers and acquisitions (Barney, 1998), the creation of a new organizational structures (Brown and Gioia, 2002), organizational identity change in a subtractive change context as a spin-off. Corley and Gioia argue that corporate spin-off are often analyzed in relation to the finan-

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cial aspects and that a case study (the spin-off of a Fortune 100 firm's top-performing unit into its own wholly independent organization) can contribute to solve a literature gap (Corley and Gioia, 2004). Another empirical study about the relationship between organizational identity and change analyzes a large public research university and demonstrates that identity was fluid and capable of rapid change (Gioia and Thomas, 1996). The integration process after an acquisition includes hence an intentional management of different organizational identities. The co-existence of multiple organizational identities causes ambiguity in combined firm’s members. Corley and Gioia defined identity ambiguity, as “a collective state wherein organization members found themselves without a good sense of who they were … or a sense of what the future held for them as an organization”. In their case study new identity was the independent organization that arises during and after the spin-off (Corley and Gioia, 2004). Change in the labels emphasizes the importance of managing rhetoric during planned change as reported by Fiol's (Fiol, 2002) and Ashforth and Humphrey (Ashforth and Humphrey, 1997). By introducing the possibility of a meaning-based identity change emerges the need of definition of sensegiving and sensemaking. According to Weick, by “sensemaking” we define the act of constructing interpretations of ambiguous environmental stimuli (Weick, 1995). A sequence of sensemaking and sensegiving is described in a recent case study about Bang & Olufsen. This framework suggests that in situation of perceived identity threat a collective recognition of the internally and externally directed dynamics of identity. How organization is perceived externally (construed external image) and beliefs about idiosyncratic patterns of behavior (organizational culture) influence the redefinition of “What we are as an organization” (Ravasi and Schultz, 2006). In this study the sensegiving phase is characterized by the interaction of two deliberate managers’ initiatives: “projecting desired images” in order to energizer members (Gioia and Chittipeddi, 1991) and “embedding claim in organizational culture” illustrating and discussing new identity claims. Authors define sensemaking phase (that comes before sensegiving one) as the process by which managers make a revision of the identity claims. Existing studies illustrate how new IS bring about changes in group identity (Walsham 1998; Lamb and Davidson 2005), and how existing identities can be challenged by new IS (Barrett and Walsham 1999). More recently, how the established patterns of identity enactment and inter-organisational practices are influenced by the appropriation of new IS has been studied (Gal U., Jensen T., 2008). Authors report on findings from three in-depth case studies in the architecture, engineering, and construction industry and provide a detailed account of this transformation. They underline the practice-based nature of organizational identity and the symbolic significance of IS, demonstrating that changes in identity are enacted as organizational practices and interaction patterns are transformed.

**Research Question**

While the relationships between Information Systems and Organizational Identity have been studied in recent years, the role of IS in integration process post M&A received less attention. We focused our paper on the following research
question: How IS adoption, implementation and assimilation contribute to sense-making process during the integration following an M&A?

Methodology

In order to provide an answer to “how-typology” research questions, a case study seems to be the more useful methodology. So, we analyzed the integration process in a pharmaceutical multinational that acquired an Italian company. We prepared a case study protocol containing a detailed planning of research activities and tools. We conducted more than 20 interviews to employees and 9 interviews to top managers. From the point of view of Organizational Identity, as described in findings section, we can recognize an “aggregation” strategy at corporate level according to Pratt and Foreman framework (Pratt and Foreman, 2000). During the integration process following the acquisition, management decided to adopt a SAP application, already used in Germany. We studied how this process had effects on the evolution of organizational identity.

Findings

Analyzing data from case study it is possible to draw some propositions about mindful innovation during the integration process following the acquisition. A mindful innovation has a higher sensemaking as a consequence and has a deliberate strategy as a premise. Based on these findings it is possible to state that after an M&A, firms have organizational conditions that help a mindful innovation. This kind of innovation has positive influence on sensemaking process within the firm. So, innovating with IT after an M&A can support a positive evolution of Organizational Identity in the companies involved in. In the following pages we describe what happen in M&A context to each of the five mindfulness attributes of innovating with IT (Swanson and Ramiller, 2004) and the relationship between mindful innovation and sensemaking in OI evolution.

First, when a firm is involved in a M&A it is concerned with the possibility of failure, because the difficulties of integration process are well known. With regard to IT innovation, preoccupation with failure can aid both acquiring and target companies to be selective in adoption also to underline its own organizational specificity. Managers of acquired company would have an opportunity to demonstrate their professionalism. The acquisition is perceived as a result of companies’ capability to success in the market, so oppositions to innovation is less strong because also who disagrees with innovation recognizes that the solutions adopted by acquiring company allowed to it to have better performance. A firm involved in an M&A lives, during the integration period, a situation similar to HROs (High Reliability Organizations) that “operate, in environment …, where to avoid failures in the face of shifting sources of vulnerability, complex processes are used to manage complex technology” (Weick et Al, 1999). Proposition 1: Firms engaged in innovation with IT after an M&A have a higher preoccupation with failure.
high interest in achieving some performance improvement in business processes of target company. New managers need to proof that their way to manage the target company will produce value. This sensitivity to operations depends on the perception of comparing procedure as an opportunity to improvement. Innovators in both acquiring and target company have respectively the possibility to discuss their present procedures and to innovate them. Anyway, a low decentralization of responsibility in implementation of innovation can be a risk for mindfulness after an M&A. As previous studies have demonstrated, a source of motivation to a mindless innovation can be a limited attention (Swanson and Ramiller, 2004). If the innovation responsibility is attributed to the same manager that deals the whole integration after the acquisition, it is possible that he can be less rational in his decisions because his attention is shared in several priorities. According to the evidence from interviews, acquiring company waited months before adopting SAP in the whole group. A manager said: “They didn’t impose almost nothings. They wanted to understand the specificity of the context”. Proposition 2: Firms engaged in innovation with IT after an M&A have a higher sensitivity to operations.

Third, a firm involved in an M&A is resilient and favours adaptation over routine. Managers of acquired company open a period in which they are disposal to recognize that their routines can be discussed. A new way to prepare budget and new procedures to evaluate investments modify primary routines and open to a more general review. The acquired company has the opportunity to innovate with IT as a follower of others (the acquiring) that have a grounded experience. Acquiring company’s managers reported their experienced without risk of opportunistic behavior as it is instead possible for consultants. So, acquired company’s managers can have a higher commitment to resilience because risk is lower and trust is higher. The HR Director said: “We began with alignment of compensation and job description”. Proposition 3: Firms engaged in innovation with IT after an M&A have a higher commitment to resilience.

Fourth, as mindful organizations, firms involved in M&A resist the temptation to use simplified interpretation of events. Managers in target company are opened to new and conflicting interpretations. The prevention of the “not-invented-here syndrome” in period following to an M&A is easier because the companies’ boundaries has been modified. If they are engaged in innovating with IT, especially in implementation phase, they will put a high attention to context. During the integration process, acquiring managers make a comprehension effort about the acquired company. Innovation with IT during this period can stimulate them to be opened to new implementations of their systems. An employee said: “Managers tried to take the best of each company”. Proposition 4: Firms engaged in innovation with IT after an M&A have a higher richness of interpretation.

Fifth, as mindful organizations, firms involved in an M&A redesign the formal structure and the distribution of authority among its members. Each person is evaluated for its own experience and those experiences that have been underutilized can find new opportunities. Anyway, mindful organizations “attend to the innovation with reasoning grounded in the firm’s own facts and specifics”. So, during an integration process after M&A, people’s experiences can find new
opportunities but they will be evaluated and compared with human resources working in acquiring company. The CFO said: "The acquiring company used rationality in deciding to move headquarter of Ethic Pharmaceutical in our HQ".

Proposition 5: Firms engaged in innovation with IT after an M&A have a higher richness of interpretation

These considerations suggest that after an M&A companies have a higher mindfulness in innovating with IT. We suggest that this mindfulness produce a higher level of sensemaking and therefore helps the evolution of Organizational Identity. According to Weick, sensemaking is the act of constructing interpretations of ambiguous environmental stimuli. People need justify actions in order to reduce ambiguity and they socially look for a new equilibrium that is in continuous progress. People look for a justification for acting. When this justification is transformed from a self-justification to a collective intention, it may become organizational goals. Justification become a collective intention only after interact (an action of person “A” that evokes a specific reaction of another person “B”). This double interact is “itself a committing context, because it contains all four variables that bind a person to action” (volition, public action, explicit action and irrevocable action). Weick argues that interact is the “object of commitment”. To do that, he refers to concept of collective structure. The inclusion of interacts and not only acts, in justification, increases the possibility that justifications invoke roles and other social forms as the explanation of commitment. Social entities, like roles, are reified in justifications of interacts. Then interact is the object of commitment and reification is the content of interpretation. Weick defines “committed interpretation” the combination of interpretation and commitment. Interpretation is a social justification shared by group of people that build collective structures where social entities are reified (Weick, 2001). This linkage can be helped by symbols that are “signs connected to meanings” (labels, metaphors and platitudes). The knowledge of these symbols is a necessity to share meaning and, therefore, it contribute to explain the retrospective nature of sensemaking. Anyway, looking for a shared interpretation and building a collective structure, it doesn’t mean to find “the” solution. Instead it means socially negotiating for finding some common points among the different interpretations (maps) that everyone continuously builds. The continuous and symbolic process of sensemaking has the goal to reduce equivocality and it can be more or less effective. We suggest that innovating mindfully with IT (as in the case of M&A) can improve the effectiveness of sensemaking process for at least three reasons. Focusing on the effect of IT on sensemaking, we argue that IT affects sensemaking process at least because they are source of public interpretation, they allow a retrospective symbolic elaboration and they contain new shared labels. After an acquisition new threats are generated and new people are involved in social interaction. When people work mindfully on an IT innovation, during the implementation phase they share common points on their own map of reality. During implementation people give justifications of their past action regarding IT tools. These justifications are public (within the project team) and irrevocable. People make a revision of their own map of reality and reduce ambiguity sharing
interpretations. These reviewed maps “are pragmatic images that provide temporary guides for action” (Weick, 1995) and the more people can share common points in the maps the more they can make sense of new reality. Proposition 6a: After an M&A, firms that innovate mindfully with IT share new “collective structures” of new reality that reduce ambiguity and produce a stronger sensemaking.

Sensemaking is also a retrospective process. According to Weick: “Remembering and looking back are a primary source of meaning”. A mindful adoption of IT after an M&A forces people to share past events and reasons that justified some choices. In order to obtain a committed interpretation, people search for a social justification of their action and make decisions basing on commitment (Weick, 1995). The effort to validate those justifications is spread on other actors. So, after acquisition people can find new social justification of their actions working with other and sharing retrospective analysis of reality. Proposition 6b: After an M&A, firms that innovate mindfully with IT share a retrospective of the past events that reduces ambiguity and produces a stronger sensemaking.

After an acquisition, the implementation of a common software is a source of common reality verbalization between acquired and acquiring company’s social groups. Zollo and Singh, within their knowledge-based perspective on managing acquisitions, found that the level of knowledge codification has a strong and positive influence on acquisition performance. They suggest that “… the effects of the process of knowledge codification, not necessarily its outcomes, are of strategic relevance”. In that study the level of codification is measured also counting “conversion of informative system” (Zollo and Singh, 2004). Translating tacit to explicit knowledge is also a way to create knowledge if it is followed by an “internalization” phase (Nonaka and Takeuchi, 1995). Proposition 6c: After an M&A, firms that innovate mindfully with IT share symbolic labels of new reality that produce linkages among daily activity and macro meaning, helping the sensemaking process.

An M&A produces what Corley and Gioia (2004) call “identity ambiguity.” In this condition, managers are stimulated to resolve the confusion about multiple possible interpretations of core and distinctive organizational features. Indeed, this ambiguity requires members to construct new shared interpretations (Gioia, 1986; Weick, 1979, 1995). Managers’ initial response to identity threats is a sensemaking phase that takes to a revision of central and distinctive features of the organization (Ravasi and Schultz, 2006). Authors argued that managers look “both inside and outside the organization searching for cues that helped them to make sense of its identity” (Ravasi and Schultz, 2006). On the internal side, members of companies involved in acquisitions seemed to assign a considerable importance to “cultural heritage” of the organization that is manifested in concrete practices and objects. Ravasi and Schultz named this process reflection on cultural practices and artifacts. An IT application can be seen as physical and linguistic artifacts. During the integration after the acquisition people engaged in innovating with IT have the opportunity to reflect on these artifacts and share new interpretations of past events. This collective construction of new meaning reduces ambiguity and pro-
vides socially accepted justification of their actions. The outcome of this sense-making process was a revision of the official identity claims that can be supported in the following phase of sensegiving in the Organizational Identity evolution process (Ravasi and Schultz, 2006).

Conclusions

This case study illustrates an example of how the evolution of organizational identity after an M&A can be supported by the adoption, implementation and assimilation of common IT solutions. Firms involved in acquisition use mindfulness in innovating with IT. In fact, we suggest that firms engaged in innovation with IT after an M&A have a higher preoccupation with failure, have a higher sensitivity to operations, have a higher commitment to resilience, have a higher richness of interpretation, have a higher richness of interpretation. This mindfulness facilitates the sensemaking process because firms involved in the acquisition share a “collective structure” of new reality, a retrospective of the past events and share a symbolic representation of new reality. The sensemaking process has a shared collective structure as output. Information system adoption, implementation and assimilation can improve effectiveness of this process for both implementation team members and users. The acquisition described in the case study confirms that after an M&A a mindful approach to innovating takes place. Implementation team members understand justifications for others’ past choices and, at the same time, give explicit and public justifications of their own choices. This process of justifications, interpretations and validation helps them to make sense of new reality and contributes to build a new organizational identity.

In a constructionist approach, the evolution of organizational identity requires a social negotiation among members where sensemaking has a primary role. So, the integration process following acquisitions can be facilitated by adopting, implementing and assimilating common IT solutions with mindfulness.

References