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Cultural divergence in merging family businesses

Abstract

Mergers and acquisitions (M&A) is one of the strategic options available for business growth, and there is an increased research interest in the topic and its relevance to family firms. In this article, post-merger integration is discussed by looking at ownership, family and management as three separate value systems at work in the process. The interplay between these aspects influences what people perceive as organizational culture in terms of norms and values in a specific setting. The paper builds on a field study of two family businesses in a Nordic setting, including over 200 interviews and 40 hours of video. The paper contributes to the emerging knowledge about M&A in family business. Furthermore, it contributes to the field of M&A by highlighting that ownership could be included as an aspect in cultural studies to better understand post-merger integration.

Keywords: Mergers & Acquisitions, Family Business, Culture and Values

1 Introduction

Mergers and acquisition (M&A) has today become a common strategic option in business, and it is attracting increased interest in the family business field (Mickelson & Worley, 2003; Steen & Welch, 2006). However, not much is known about the growth strategies of family business in general, and M&A in particular (Astrachan, 2010). A strategic issue before deciding to merge organizations is to consider the fit between the companies (Lindow, Stubner, & Wulf, 2010), and the presumption is usually that the better the fit, the better the outcome of the merger. This paper illustrates a contrasting image. It shows how the ideal of uniting two organizations that had a shared history of being old family businesses in the same industry and geographical region, and with complementing brand and product portfolios, developed into an accentuation of subcultures in the integration process.

To explore the cultural aspects of merging family businesses can add valuable insights into the recognition of cultural competence: the understanding of socio-cultural patterns originating from family influence on a business (Hall & Nordqvist, 2008). To include ownership and management configurations, together with family values and relationships, can clarify questions about why firms behave in certain ways (Chrisman, Sharma, & Taggar, 2007). Studies have assumed that family business culture, in terms of core values, differs from that of non-family firms (Aronoff, 2004; Vallejo, 2008), and indicated that family business culture and family expectations are beneficial for performance (Denison, Lief, & Ward, 2004; Memili, Eddleston, Kellermanns, Zellweger, & Barnett, 2010).

In family businesses, the connectedness to the past combined with the adaptation in line with the founders vision can actually be said to be their greatest strength (Denison, Lief, & Ward,

2004). Apart from the features found in all firms, evolutionary psychology can show how family businesses display unique properties due to the intersection between family and firm, the kinship effect, which bring potential added value or added hazard (Nicholson, 2008). Thus, from previous studies of culture in family businesses it is suggested that the founder, the family and its values influence organizational culture, and some even claim that a strong culture is positive for the performance of the firm. There seems to be an agreement among authors using the concept of culture that it is relevant to understand the special character of family businesses. Previous studies have emphasized the role of the founder for the emerging culture (E.g. Harvey & Evans, 1994; Kelly, Lewa, & Kamaria, 2008; Schein, 1995) and Hall, Melin and Nordqvist (2001) argue that "*there seems to be a pretty high consensus among writers on family business that founders are very important for the emerging culture of these organizations*" (p. 196). However, Hollander and Elman (1988) gave a notification of the risk of oversimplification in focusing solely on the founder in the process of cultural development. Studies have started to include how the founder's influence is filtered through the behavior of the management team (Nordqvist, 2005) and to introduce the concept owner-centric cultures to include the whole family rather than solely the founder (Brundin, Nordqvist & Melin, 2010).

However, ownership is not solely a family matter, and inspired by empirical material as well as previous discussion in the family business field, a further separation is made between family and ownership in this paper. To include the ownership structure also highlights the lack of focus on the same in M&A studies; few studies have looked at how ownership as a value system influences post-merger integration. Thus, the characteristics of the aspects founder/family, ownership and management are used to analyze the integration process with the aim to find characteristics influencing the culture/s in merging family businesses.

This paper starts with a theoretical section, including literature on mergers and organizational culture in the family business field. Then method and the case are described briefly. This is followed by an analysis of the three aspects and a discussion with suggestions for future studies.

2 Mergers in family business

2.1 Cultural aspects of mergers and acquisitions

Merger waves, from the 1980s and onward, have concerned horizontal integration: integration between companies with similar business activities. For executives this means that the most important success factor has been the ability to manage firm- and nation specific differences in order to integrate the merging organizations (Olie, 1994) and to achieve “cultural fit” (Cartwright & Cooper, 1993). Researchers have described different approaches to acculturation in mergers and acquisitions (Nahavandi & Malekzadeh, 1988, 1993). However, while the culture concept has declined in popularity among researchers, it remains useful in practice. Angwin and Vaara (2005) argue for a need in research to move from the prevailing cultural perspective, being the dominant paradigm in studies of M&A integration, towards new concepts and angles. Examples of alternative studies of integration is to take a sense-making perspective (Jisun, Engleman, & Van de Ven, 2005; Vaara, 2003; Vaara, Tienari, & Björkman, 2003), studies of identity (Kleppesø, 1993; Vaara, Tienari, & Sääntti, 2003), gender (Tienari, Söderberg, Holgersson, & Vaara, 2005), ambiguity (Risberg, 1999) and to include language, narratives and discursive perspectives (Gertsen & Söderberg, 2000; Vaara & Tienari, 2002). Thus, there has been an expressed need for cultural studies of various kinds and the use of qualitative methods to understand processes in merging organizations.

2.2 Mergers and acquisitions in family business

Mickelson and Worley (2003) state that there are few reported studies on mergers and acquisitions (M&A) in family firms. Especially family businesses working on an international arena may need to know more about M&A since most of foreign direct investment is by M&As (Steen & Welch, 2006). Furthermore, acquisition through management buy-outs of family business is an unexplored route in family businesses (Howorth, Westhead, & Wright, 2003) as well as family ownership and the impact on value creation (Ben-Amar & André, 2006). In addition, it is crucial to understand the cultural assumptions already in place, as a firm managed in harmony with the local culture is expected to have a higher level of long-run productivity (Astrachan, 1988).

A natural reason to the low number of studies on M&A in family businesses is the significantly lower M&A activity in the group of family owned companies (Jaskiewicz, González, Menéndez, & Schiereck, 2005). It seems as if family businesses have a higher level of independence, and want to maintain ownership, and control over the company (Abdellatif, Amann, & Jaussaud, 2010). To retain control, their wealth must remain concentrated, although there is a need to distinguish between business risk and portfolio risk as they have different implications for family firms acquisitions (Miller, Le Breton-Miller, & Lester, 2010). The priority on socio-emotional wealth suggests that family firms are less likely to acquire other firms (Gomez-Mejia, Makri, & Larraza-Kintana, 2010; Miller, Le Breton-Miller, & Lester, 2010). One consequence of this could be that family businesses avoid being listed on the stock market since this means giving up control to some extent and being exposed to the risk of hostile takeovers. To enter the stock market has been described as a 'dance with the devil' (Steen & Welch, 2006). Even if some business families may be open for M&A leading to different types of shared ownership, most family owners probably agree with Curt Carlson's statement that the Carlson Holding Company always should stay in the

family: “We are not giving up control at a family level” (Carlock, 1999, p. 89). Besides formal control, normative control through the organizational culture, is an interesting aspect of organizing (Kunda, 1992) and in the family business setting it includes the family and its influence on the culture process. Family ownership can be said to comprise formal as well as normative control.

3 Culture and family business

3.1 Ownership and management culture

In his study of cultural change in family firms, Dyer (1986) shows how culture could be used for detailed analysis of organizations owned by families, from basic assumptions to artifacts in the organization, how the life cycle perspective could be used to understand the evolution of culture over generations and how this knowledge could be used in transition processes in family firms. Sorenson (2000) develops Dyer’s findings on family business culture to also include leadership styles that influence the family and business outcome as well as employee satisfaction and commitment, and Sorenson discusses practices that could promote leadership styles that produce positive outcomes. In family firms, and especially in larger organizations, the interplay between owners and managers, as separate units, might influence what people in the firm perceive as organizational culture. In this paper, it is argued that the separation of ownership and management is crucial to understand cultural influence during the integration process. In addition, to approach culture as something an organization is, and not something the organization has, contributes to previous literature on organizational culture in family business, an approach which is elaborated upon below. The following section presents a short review of the literature on culture in family business studies.

3.2 Culture in family business studies

In the family business field, there are two main ways to deal with culture: culture as a variable and culture as a context. A third way to discuss culture is to see it as a research approach, which will be mentioned in the next section. Culture as a variable means to work from the assumption that culture can be measured as one of several variables or broken down into subcomponents. Culture as a context refers to those studies where culture is used as an argument to perform the study, usually to provide a counter image to the family business operating in the 'Western' context.

Culture as a variable, means working according to the assumption that culture is something measureable and that cultural dimensions could be controlled and changed by management (Smircich, 1983). In these studies, culture is either one of several variables, or unpacked into several subcomponents. With the starting point that a definition of family business "must be unambiguous and transparent in such a way that it can be quantified" (Astrachan, Klein, & Smyrnios, 2002, p. 46), the F-PEC scale of family influence has been developed. Corbetta and Salvato (2004) continue to include the F-PEC dimensions into a contingency model of family business boards of directors and they emphasize the need to look at direct or indirect family ownership of the business. The F-PEC scale has also been used by Craig and Moores (2005) when adding a family business focus, through taking the familiness dimension into the Balanced Scorecard (BSC). Björnberg and Nicholson (2007) develop the Family Climate Scales (FCS) to include family climate in measurements of organizational complexities. Several studies have discussed how a strong family culture influences the culture in the business and a suggestion is that family firms perform better because of who they are, and that history and shared identity provide a connectedness to core-values and behavior that lead

to bottom-line success (Denison, Lief, & Ward, 2004; Poza, Alfred, & Maheshwari, 1997; Poza, Hanlon, & Kishida, 2004; Vallejo, 2008).

Culture as a context is used in many studies as an argument for performing the study. These studies can be said to follow a colonial tradition in the sense that they mainly concern family firms in “exotic” transitional economies, i.e. countries in Asia or Eastern Europe (Gundry & Ben-Yoseph, 1998; Pistrui, Huang, Oksoy, Jing, & Welsch, 2001; Tan & Tong Fock, 2001). Comparative studies with different cultural contexts are also common, such as a study of an ethnic enclave in the USA (Perricone, Earle, & Taplin, 2001), a comparison between Indian and Canadian family businesses (Sharma & Rao, 2000), Portuguese family businesses as different from other EU countries (Howorth & Assaraf Ali, 2001) and France versus the US (Ducassy & Prevot, 2010). Gundry and Ben-Yoseph (1998) find more similarities than differences across the cultures in Romania, Poland and the United States. When studying cultural and social influences of business systems, and when using culture as an argument for the study, it is necessary to include both differences and similarities. Among studies in different settings, there is a development towards more detailed descriptions of culture as a context and how this influences business (Lee & Tan, 2001; Welsh & Raven, 2006). This can be seen as a move towards understanding culture processes in family business.

3.3 Culture processes in family business

The discussion in this paper builds on the assumptions of social construction, and organizations are seen as *being* cultures, not *having* cultures. This view is inspired by cultural studies in other fields, in combination with researchers taking a critical stance in their studies. Hall, Melin and Nordqvist (2001) work with the assumption that culture can be divided into two main approaches (in line with Smircich, 1983, and Alvesson, 1993, 2002). These two approaches are culture as a managerial tool in organizations and culture as a research

perspective (culture as a context mentioned above is not included in this division). In fact, the mainstream tradition of family business has been criticized for being too managerialistic: “[Family-business research] *has been dominated by functionalist paradigms that assume managerialist or performative interests and has largely concentrated on cultural unity, integration, leadership and the contribution of organizational culture to business performance.*” (Ainsworth & Wolfram Cox, 2003, p. 1463). However, Ainsworth and Wolfram Cox note that there are some authors beginning to adopt diverse theoretical and methodological approaches on family businesses, such as gender (Cole, 1997), narratives (McCollom, 1992) and a field study of family dynamics (Ram, 2001).

Kondo (1990), in her traditional ethnographic investigation, explores the identity concept in relation to Japanese family businesses. Hitchcock and Wesner (2009) take an ethnographic approach when exploring the Confucian values with competitive advantage and the role of trust and trusted networks of the Vietnamese community of London. As an alternative to classic ethnographies, there has been a development of organizational ethnography and auto-ethnography. Based on an auto-ethnographic approach, Yarborough and Lowe (2007) show how assumptions about leadership and roles in a family business turn out to be incongruent.

As will be described later, this paper is based on an organizational ethnography, a field study of two merging family businesses, and the discussion follows Sorensons (2000) suggestion to include the interplay between owners and managers/leaders as separate power units (artifacts). This can increase our understanding of cultural development within the organization, especially in large organizations. If the family business grows in size, there will come a time when there is a need to employ managers/leaders that are not family. In the beginning of this process, it might be possible to socialize the new employees into the family culture but when

the organization grows larger, external managers/leaders will start to influence the organizational culture. To what extent they will be able to influence culture depends on a combination of people, internal and external situations and family characteristics. Since the two companies in the field study had grown quite large over time, it is apparent that 'family' does not necessarily equal 'ownership'. Thus, a separation of the two is made in the analysis. To include the family, ownership and management aspects is a well-known division in family business research (Tagiuri & Davis, 1996) and here the three aspects will be used to emphasize different parts of the culture processes during integration. Before moving into the discussion on owners and managers, a brief description of the method and the case is presented.

4 Methodology

Qualitative studies can be performed using different methods, and they can have different purposes: to explain and verify with the aim to find the truth, to investigate and change with the aim to look for benefits and to understand and interpret with the aim to provide meaning to phenomenon. This study is conducted as an organizational ethnography to achieve a conscious and systematic exploration of meaning within cultural systems. Field studies have long been used in ethnography to study (exotic) cultures, and organizational ethnography (Kostera, 2007) is a way to approach an organization as a cultural world. This approach rests on a social constructionist realm, bringing the limitations of the reporting to the partial perspectives applied in interpretation (Rosen, 1991). As important as collecting experiences in the field is within an ethnographic approach, so is writing it up. There are several creative ways to present ethnographic observations (Rosen, 1991; Van Maanen, 1988), at the same time as an author strives to comply with the expectations depending on the chosen media.

The field study centered on non-participative (not taking a role in the organization) observation of integration meetings. These meetings were attended by managers with different national, functional and organizational backgrounds working together to create a new, shared culture. Material have also been collected through observation of other meetings, interviews and documents. The field study was performed between 2002 – 2004 and the material consists of 65 in-depth tape recorded interviews (mainly with the management team), 36 of the interviews were combined with video recordings of the managers reflecting on organizational images (inspired by projective methods), 100 short phone interviews or answers by mail in January 2003 and in January 2004, about 40 hours of video material from integration meetings, field and diary notes, company material, press releases and media texts.

The inductive approach means starting the analysis in the empirical material without predefined frames. The material collected from the integration process have been closely read, analyzed, and interpreted. The interactivity of the analytical process must be recognized, but at the same time the analysis can be described as consisting of three phases: action, re-action and reflection. Action is the first phase when the material is transcribed into text and the researcher immerse in the material to find preliminary ideas. The second phase, re-action, is to mark the texts with a series of codes, and to group codes of similar content into categories. For this I used NVivo, a software for qualitative studies, starting off with free coding and building ‘trees’ as the process went along. The third phase, reflection, describes the process when the researcher is looking for meaningful patterns and ways to communicate this to the reader. The understanding of material is also done in context, and therefore, a brief introduction to the companies is presented as a background before the analysis below.

5 The Cloetta-Fazer merger¹

The confectionery companies Cloetta and Fazer were founded in Sweden and Finland respectively (see appendix) in the 19th century. The businesses have grown and over the years built the strong brands that today are their most valuable assets. There had been discussions about a possible merger between Cloetta and Fazer since the 1970s. In 1990, Cloetta and Fazer formed a strategic alliance in production but after some difficulties they went separate ways, with Cloetta taking over the shares in the production alliance. However, there was still mutual interest in a combination of the firms. In the 1990s, both companies made several acquisitions, but when they joined forces in 2000 it was the first time they were involved in a merger of equals. After the merger, Cloetta Fazer was the largest confectionery company on the Nordic market with a market share of 25 %, proforma sales of SEK 5 050 millions in 1999, production units and sales offices in Sweden, Finland, Poland, and new headquarters in Stockholm, Sweden.

The main motive of the merger was to achieve cost synergies in production, sales, marketing, purchase and administration with a total effect of SEK 75 million per year between 2000 and 2002. The company had complementary brand portfolios that were strong on their home markets. The merger was also a way to match the growing size of the consolidating chain stores on the Nordic market. The financial goal was supported by the accounting procedure since the merger had been performed according to the pooling-of-interests accounting method for business combinations. This technique could be used in mergers of equals and one advantage with pooling was that the company did not have to recognize goodwill as an asset on financial statements. Oy Karl Fazer Ab made an apportion of the business area Fazer Confectionery in exchange for a new issue of shares in the listed Cloetta AB, equivalent to a

¹ In June 2008 Cloetta and Fazer announced that they would de-merge, breaking up from their organizational marriage. The reason was that the two main owner groups, the two families, could not agree on firm strategy.

relative evaluation of 50/50. To use the pooling technique required the organization to comply with certain criteria in the set-up of the new organization, such as maintaining a 50/50 balance of people from Cloetta and Fazer on the executive board and committee. One intention with this set-up was to sustain values from both organizations, at the same time as it created conditions for culture problems in the integration process that followed after the merger. In the following analysis, the family, ownership and management characteristics that might influence the culture in the merging family businesses are brought out.

6 Analysis of the integration process

6.1 The ownership aspect: ownership structure, strategic orientation and goals

6.1.1 Ownership structure

The main characteristic of the organizational cultures was in line with ownership structure: the market orientation in Cloetta and the industrial orientation in Fazer. In Fazer the family exercised direct ownership while the Cloetta family had formed a foundation and in addition, the company had been listed on the stock exchange six years before the merger. Thus, Cloetta had two forms of institutional ownership: via the family foundation and via the stock market. In Fazer, the direct private ownership could be an explanation to why the organizational culture had a stronger connection to the owner family. In Cloetta, the organizational culture displayed attributes mainly in line with general ideas about the expectations from the stock market.

The ownership structure seems to be the most important aspect in understanding the organizational culture since it sets the orientation for the people in the organizations in terms of overall orientation as well as business and time orientation. One of the things that the

managers emphasized as a main characteristic that implied different assumptions in the two organizations was the market situation. Cloetta had been listed on the stock exchange since 1994 and Fazer was privately owned before the merger in 2000. The market and the industrial orientation respectively gave consequences for the way of working in the organizations. The business orientation in Cloetta was to sell large volumes of products while in Fazer the business was based on the idea that brand building would create value in a long-term perspective. One implication of this was that Cloetta had larger sales forces that were out and competed on the market every day and in Finland it was very prestigious to work at the marketing department in Fazer since they put serious efforts in brand building. The business orientation was in line with time perspective: to sell on a day-to-day basis in Cloetta fitted the short-term perspective of the stock market and the long-term perspective in Fazer provided an understanding for investments in brands.

6.1.2 Strategic orientation

One idea presented in the beginning of the integration process was that the long company history for both units would guarantee shared values and bring the two owner families together. During the first year the owners met to socialize but soon, conflicts emerged concerning the strategic orientation. One key concern was whether or not to use the shares for future acquisitions. The Cloetta owners wanted to move in this direction but the Fazer owners did not want to further spread the ownership of the business. A leading Swedish business magazine, *Veckans Affärer*, highlighted this in an April 28, 2003, article entitled “Family fight in the Chocolate factory”. The disagreement between the owners froze the development, and managers who attended the board meetings called it a cold war. Within the organization, employees did not know more than they could read in the business press or rumors in the organization: *“You have the two owners, but it’s vague what they want to do, and when they*

are vague, uncertainty spreads in the organization.” (Production manager, 2002). Even though the company continued to show profits and higher share prices, people in the organization regarded the uncertainty in this area of the ownership aspect as a hindrance for development and growth in the company. Although a financially successful merger during the years after the merger, the disagreement between the owner families actually concluded with a break-up between Cloetta and Fazer in 2008.

6.1.3 Goals

When working with integration of the two companies, there was confusion about the goals of the organization. The most pronounced organizational goal in the merging organization was to reach a 12 % gross margin. The management group talked about other goals in a balanced scorecard, for example goals for market share, and they talked about different ways to measure, but at the end of the day it was the financial goals that recurred time and time again as something that the team was unanimous about. Not to say that they liked it but they knew about it and they worked according to it. The level of 12 % was discussed and the managers agreed that it was too high on a market with no growth, which implied the need for new acquisitions. On the other hand, being financially strong was also a prerequisite for being able to control a merger process: *“One very important reason to be profitable is that if we should grow by acquiring a company or make a merger with some other companies. Then it’s very essential to be strong when you go into this kind of discussions. The best position you can be in is that if you are profitable”* (Swedish manager, 2002). The 12 %, a goal set by the board, became a concrete symbol for action in the organization. However, since the managers’ task was to deliver the 12 % margin, they lost focus on the long-term development of the business. One example of this was that when aiming for 12 %, some managers solved this “technically” by deciding when resources should be spent in relation to when the cost would be reported,

i.e. to manipulate the result reports. The 12 % as a symbol was also important for the emerging organizational culture, since this was actually one of the few things that people in the organization collectively related to and the 12 % goal guided the behavior of people in the organization.

6.2 The family aspect: status, brands and story telling

6.2.1 Status

Social class and education level was used by the managers to describe differences between people in the merging organizations and to explain why it was hard to find a shared way of working in the new organization. Out of all the characteristics that they used to describe the two organizational cultures, there was only one that was shared: history. Both Cloetta and Fazer had been in business for over 100 years and they were both profitable companies at the time of the merger. In the very beginning of the merger, the similarity was perceived as something very positive, but in retrospect, it is easy to see that this would vouch for a conflict since neither of the parties had incentives to change over the course of time, since both were successful and profitable companies prior to their merger. Concerning status in terms of social class, Cloetta could be said to represent the middle class in Sweden while Fazer was regarded as upper class in Finland. Fazer was the name of the company, the name of the company's number one brand and the name of the owner family. The high status of the name Fazer made it an attractive workplace and people were proud to be working there.

6.2.2 Brands

The history of the company/the family was used by both Cloetta and Fazer connected to the brands too. The long company history, dating back to the 19th century, was used to give credit to the products and both companies used the story about the founders as a mark of

trustworthiness. In Fazer, the connection to history has been taken a step further and their number one brand, Fazer Blue, is strongly connected to the founder Karl Fazer and his success story. Fazer Blue stands for values such as quality, status and exclusiveness and the story about the founder, including the importance of family values, uses the upper class position to strengthen the exclusiveness of the brand Fazer (and maybe vice versa, that the brand strengthens the family's position in the Finnish society?). The interplay between brand, family position and company name is a process that strengthens them all. At the same time the idea of the family grows strong, influencing what employees in the company perceive as their organizational culture. To connect the family history and the business history was a way to create trustworthiness for the brand.

6.2.3 Story telling

The family as a symbol was used in the socialization process within the organization, when top managers used story telling to set standards and norms in the company. The following story was told by the CEO at an integration meeting to address the way of working in the organization:

“I was told that in the 1960’s, Sven Fazer, a second-generation owner, took over. Sven Fazer was very fond of machines, he really loved machines, and there were machines standing outside the factory and some of them were never even used because at every fair in Europe he bought machines, no matter if they were needed or not (people in the room laughed at the story). Sven loved machines and maintenance: the place brimmed with them. He loved maintenance. Well, then came the next generation, Peter Fazer, and he had no clue about these machines, but he loved quality. At the age of 16 he made these fudge things and stuff like that (the CEO stirs in a fictive cauldron) and people in product development looked up to him. He, if anybody, knew how things would taste. What we lack in this culture is someone to

walk around and try the mixtures and decide if it's good or bad and I don't have that kind of competence but what we can do is to be visible."

In this way, storytelling involving family episodes was used by managers to set the standards for the way of working in the company.

6.3 The management aspect: national, organizational and functional levels

6.3.1 National characteristics

During the integration process, the managers often used national and organizational culture to try to explain problems encountered but they could not make a clear distinction between what was specific to the organization and what was in line with national culture. However, some features could be referred to one or the other. Decision-making style was, according to the managers, in line with national culture. Interestingly, the description of decision making style as short- or long-term oriented stood in contrast with the organizational time perspective which was said to be opposite to the national style: Cloetta had a short-term focus but it took them a long time to make decisions while Fazer had a long-term focus but took decisions quickly. Concerning the decision-making style, people in Sweden were said to start off slowly, letting everybody comment on the issue and getting agreements over time before entering what was described as a smooth implementation process. Swedes were said to consider long time as insurance for qualitative decisions. In Finland, it was considered to be efficient if decisions were made quickly and then they could change along the way if the first decision did not work in the right direction. The managers' description of national and organizational culture actually resulted in contradictions concerning time as a symbol and time orientation. From a cultural viewpoint, the Swedes see it as a sign of quality if the decision-making process takes time. From a Finnish cultural perspective, the amount of time spent on something symbolizes efficiency.

6.3.2 Organizational traditions

Managers referred to both national and organizational culture to explain differences, but apart from the decision-making style and time as a symbol, culture often meant traditions that had emerged within the two companies before the merger: *"Cloetta is more easygoing, happy, fun, playful, a little bit more rural. Fazer is strict, quality, sober and so on. And the Finnish culture among the employees is more theoretical and long-term. The Swedish culture is to work operatively. We have theories in Sweden as well but we don't talk about them. You talk a little and then you do it. In the Finnish culture they talk more and don't do as much. This also symbolizes the brands Fazer and Cloetta. What would be best is of course a mix of everything."* (Swedish manager, 2003). This quote also illustrates the interconnection between the aspects that are separated for analytical purpose in this text. It also displays contradictions in the process, such as the description of Fazer as theoretical planners and Cloetta as operatively oriented doers, which did not agree with the description of Finnish managers as quick decision-makers working in a trial and error style while the Swedish managers worked carefully before making a decision in order to achieve a smooth implementation phase. This could be explained by connecting to the family aspect. In the industrial community (Cloetta) employees learn by doing and the managers have been promoted within the organization. In Fazer, the upper-class position has been strengthened by choosing managers from the best business school in Finland which brought about an academic style in the organization. The academic versus the practical traditions has influenced how managers worked with organizational structures, management systems and leadership ideas, manning and activities in the organization. The set-up of the organizational structure, the manning of the organization and activities was in line with the overall market and industrial orientation: a simple structure, slimmed organization and a responsive organization was Cloetta's way to

success on the stock market. In Fazer, success was achieved by involving specialists on different areas to work across departments to systematically plan the coming years. However, concerning management of the business, it seemed that the focus on individual leaders that characterized Cloetta's organizational culture and the focus on a managerial system that characterized Fazer's organizational culture had more to do with organizational history than the orientation of the business. In Cloetta, the industrial community culture seemed to have fostered strong leaders that were regarded as the proprietor of the factory. In Fazer, the confectionery business was one of several business areas and the size of the organization may have made it necessary to trust a managerial system rather than individual leaders.

6.3.3 Functional specifics

As for the variation of national and organizational patterns, there was also the notion of way of working within the different functional departments. What was different with these specifics was that they transcended national borders instead of being locally connected to a unit or a nation. The contrast was largest between marketing and production. The integration of the marketing departments was described as the most difficult area in the company and they had changed the manager in charge four times during the first three years. Some employees attributed the difficulties within the marketing department to the characteristics of the people working there: *"They are emotional people and they are supposed to be that way"* (Finnish manager, 2002). The people working with integration in production had their own projects during the rapid integration, but they were not forced to integrate in the same way as the people on the sales and marketing side. In the interviews three years after the merger, those involved in production said that they had they had worked out a strategy for restructuring production but hardly started the integration work. Even though they had not worked much together, production managers were described as working in a more systematic

way. *“We draw a flow chart and then we look and then we evaluate what is best and then we choose that one, but more often we take one and then improve it with knowledge and experience from the other.”* (Finnish production manager, 2002). One difference between marketing and production was that in marketing they talked about the integration of people, while in production they talked about integration of system and product lines.

The finance and IT department as well as the HR department were talked about as areas that were smoothly integrated. In HR they shared an ideology about providing growth opportunities to people in the company and they also reserved time for some issues so that they can be discussed on a national level. Thus, they settled for some shared activities while most of the work was adjusted to the national situation. In finance and accounting, they were described as even more in line with each other. *“In finance you find rational thinking and the most rational people. A five looks exactly the same in Finland and in Sweden and finance is strongly regulated by laws, regulations, and recommendations, leaving very little for interpretation. Debit is on the left and credit is on the right. They live in a similar world and they work very well together.”* (Finnish finance manager, 2002). The financial accounting situation, regulation and practices are sometimes seen as the same or similar for across the Nordic states. The functional specifics are of interest when talking about an emerging culture since the way of working, based on similar educational backgrounds, seemed to be quite strongly rooted and thus, posed an important influence in the process of integration.

6.4 Summary of culture aspects

During the integration process, a number of sub-cultures became visible or emerged. Here, the key aspects ownership, family and management have been addressed. Each aspect hold its

own value systems which influence the progress of the post-merger integration. For a summary, see table 2.

--- Insert table 1 about here ---

In the Cloetta Fazer case, *ownership* played a crucial role in determining what people in the organization perceived to be organizational culture. In the merging organization, ownership structure, strategic orientation and goals were some areas that influenced the activities of the management team. The *family*, and its culture, can still be strong even though we are talking about large organizations when the family is no longer active as owners and/or managers. While representatives for the two owner families were working as board members after the merger, the owner families were no longer active on a managerial level in the confectionery business. Thus, the family members did not personalize the family in the everyday business but there were other interesting ways that the family aspect influenced the atmosphere in the company on a symbolic level: the family status on a societal level, the family connected to the brands and the family as they appeared in managers' story telling influenced the norms and values in the company. The *management* aspect had a strong connection to what historically had been regarded as the organizational cultures in each company, in terms of the norms guiding employees' behavior. To address problems arising in the integration process, the managers talked about national, organizational and functional cultures. To separate these cultural levels from the overall cultural process, they are not addressed using the culture concept and instead they are called national characteristics, organizational traditions and functional specifics. In the discussion below, this will be addressed as tension and support during integration.

7 Discussion and conclusion

The analysis of the culture process, that included ownership, family and management aspects, illustrates the characteristics of multiple value systems at work in merging/growing family businesses. Previous studies have worked on the assumption of co-existing cultural value systems. In this paper, a suggestion is made for what could characterize each aspect. This provides valuable input to both field studies in other settings as well as to quantitative studies. Studies including a large number of cases could explore whether the suggestions in this paper are different or similar to what can be learned from other mergers of large family businesses in different industries and regions. The overall perspective on the integration process, in combination with the analysis of parallel values systems, is one of this paper's contributions. Another contribution is that it adds to the scarce body of literature on mergers and acquisition in family business (Mickelson & Worley, 2003; Steen & Welch, 2006), as well as highlighting the need to include ownership in process studies of M&A in both family owned and non-family owned companies. The focus on ownership is well combined through a close examination of the management, and the interplay between two value systems, providing interesting insights into change processes and everyday praxis.

Co-existing cultural value systems in family business

The ownership, family and business value systems are intertwined and inseparable and they have different emphasis that influences the emerging organizational culture. The three aspects could be said to represent different levels in the culture process: the family values guide the ownership goals that influence the business activities. However, in the description of the

merging company in this paper, this hierarchy was disrupted; the family aspects were mainly symbolic, the ownership aspect was not clear due to different value systems colliding in the merger and the business aspect brought with it two strong managerial cultures into the integration process. This illustrates how the aspects can vary in strength towards each other and this influences what people come to perceive as the organizational culture in terms of the norms and values guiding activities. The symbolic character of the family could be an interesting venue for future studies to understand how notions of family appear in various ways in business, for example in connection with social identity theory and non-family members (Carmon, Miller, Raile, & Roers, 2010). Another possible route to explore is the notion that the three aspects hold different ideologies that influence the perception of organizational culture (e.g. Koiranen, 2003). Cultural field studies of simultaneous but contrasting value systems could enhance our knowledge when it comes to merging, growing and changing family businesses. In addition, future studies could further explore the symbolic position of the family in the family firm, not only in terms of external image but how the notion of family, as separate from ownership, might influence the organizational culture.

Ownership and management in field studies of M&A

This paper contributes to the scarce body of literature that describes mergers and acquisitions between family firms as well as emphasizing the ownership aspect in understanding the role of culture and values in the field of M&A. It discusses the intriguing linkage between family and organizational culture as suggested by Poza, Alfred and Maheshwari (1997). Since the two owner families were not operative in the business, this is also a study of managers working in and with a family business culture. This study can also add to the understanding of how families influence managerial behavior (Chrisman, Sharma, and Taggar, 2007) but more importantly how managers might influence organizational culture in a family business and

maybe even have an impact on the family in the long run. Furthermore, the descriptions of the two organizational cultures could be used to bring out the guiding values of the organizations as a base for differentiation between family firms (Lubatkin, Durand, & Ling, 2007). To include ownership and management as central aspects in field studies could also add knowledge about power aspects in value systems and how this influence the post-merger integration process. On a similar note, the role of firm size, firm generation and ownership structure could be explored in future studies for a more in-depth understanding of changes in family business culture following M&A.

Tension and support during integration.

Although it is risky to extract a single aspects, or a certain value, from a cultural system, it is also a way to try to understand the organization as a cultural world in more detail. I will make an attempt to relate the aspects to the progress of the merger, and address how they either support or create tensions in the merger. The different ownership structures, the unclear strategic orientation and the ideas of differentness concerning national and organizational cultures seemed to create tensions in the organization. These key aspects could have a divergent impact on the process. Contrary to this, the 12 % goal, the family as a symbol and the functional specifics are interpreted as supporting integration. The 12 % margin is easily communicated and grasped by all employees, and the functional specifics build on recognition and shared understanding of the business. The family as a symbol is more complex, and could be supporting and creating tensions at the same time, but in this case the high status seemed attractive, the family connection to some of the brands worked to strengthened the two complementary portfolios and using the family in story telling could be a way to understand the history in the companies. Thus, differentness create tensions and sameness supports integration. This sounds reasonable enough, and it also mirror the process

in the study. This is also a dangerous and short-sighted way to approach integration because then integration becomes about removing differentness and thus, removing tensions that could add creativity, new perspectives and understanding in a changing world. I would also like to emphasize that differentness in this text, is not the same as lack of clarity. The unclear strategies, or even the lack of strategic orientation, is one important reason for the break-up of the companies in 2008; The families could not agree on how to use stocks for financing of further M&As. The role of the family, as owners and as symbols, is central to understand the outcome of integration in merging family businesses.

Limitations section

This study is not free from limitations, some of which may provide impetus for future research. A first limitation of this study is that the material is based on the managers' perceptions of the two companies during the time of the study. It is quite possible that different stakeholders in the organization would describe the company in other ways and that Cloetta and Fazer had different connotations for them, although the impression from reactions when presenting the study at the company suggest that it is a relevant image of the process. A second limitation is the geographic setting of the study, and it would be interesting to have other cross-cultural studies to make comparisons between merging family business in different parts of the world. A third limitation is that to discuss culture, means to simplify the complex interaction that gives rise to shared norms and values. However, the inclusion of the three aspects ownership, family and business, is one way to try to present different perspectives of the same process. A fourth limitation, is that although I have addressed ownership as an aspect, I believe that control and incentive systems are essential to understand the development of an organizational culture. Especially when it comes to understanding peoples behavior as output of their understanding of the cultural values and

norms. A final limitation could be the qualitative nature of this work, which is discovery-oriented and it remains for other researchers to verify the relationships established through large-scale empirical studies.

To sum up, this article describes a field study of a merger between two family firms. The cultural divergence that has been discussed in this paper shows not only differences between aspects such as ownership, family and management, but also possible tension and support in the integration process, within and between these aspects.

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Appendix. Company illustrations

Cloetta – an industrial community on the Swedish country side	Fazer – the crown jewel of business in Finland
<p>Cloetta was founded 1862 in Copenhagen by the three Swiss brothers, Christoffer, Nutin and Bernhard Cloetta. When the Svenfelt family took over the company early on in the 20th century, the factory was moved to Ljungsbro, a small town on the Swedish countryside with about 6500 inhabitants. As in many small places dominated by one main employer, a specific industrial community spirit developed, and this is still the heart of Cloetta. Cloetta as a brand is closely connected to Swedish sports life and the company is sponsor to teams and athletes; “Cloetta is the everyday company, everyday products, ‘fun-and-joy’, playful, Kexchoklad, sports. That kind of things.” (CEO 2002). On the 1 June 1994 the company was listed on the Stockholm Stock Exchange with Svenfelts as the main owner. With the</p>	<p>In 1891, Karl Fazer opened a French-Russian café at the heart of Helsinki. Ever since, Fazer has had a superior position in Finland and the family enjoys a privileged position as one of the most prominent and influential families in the Finland-Swedish high society in Finland. The name Fazer represents both the family, company and their number one brand: Fazer Blue; “... <i>Fazer is something extra. Maybe you have to live in Finland to understand it but it’s like a national treasure. It’s brand number one. It’s Fazer Blue. A few months ago the ranking of brands came and it’s ranked even higher than Nokia.</i>” (HR manager 2002). Chocolate has been the companies dearest business but today the group includes businesses such as restaurants and bakeries as well. In total, the group has grown to about 15000 employees. However,</p>

<p>acquisition of Candelia in 1998, Cloetta went from third to first place in the Swedish chocolate and confectionery industry with a market share of about 30 %.</p>	<p>it is still perceived as a family business, with family members still in operative positions in the company.</p>
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Table 1. Summary of topical areas under the three aspects of ownership, family and management.

Ownership	Family	Management
Ownership structure Institutionalized versus private ownership influenced time perspective in the organization	Status High social class and old history added pride to the organization members	National characteristics Decision making style and the symbolic aspect of time was recognized as national stereotypes and was negotiated in the integration process
Strategic orientation Unclear strategies from the owners spread in the organization, causing confusion and lack of initiatives	Brands Symbolic representation of family created trustworthiness for the products and brands	Organizational traditions Structure, manning and management/leadership activities was connected to the old organizational cultures and negotiated in the integration process
Goals 12 % margin as significant object was easy to understand and became a shared organizational symbol that influenced organizational activities	Story telling Using stories about the family in the socialization process to set the standards for the way of working	Functional specifics Functional perspectives on the business introduced new ambiguities and new subgroups based on shared interests