MIDDLE MANAGERS IN MERGERS & ACQUISITIONS-

AGENTS AND RECIPIENTS OF CHANGE

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INTRODUCTION

In this chapter, I explore middle managers as agents and recipients of change, when they face radical organizational change. My focus is on one of the most enduring and impactful radical changes shaping organizations, mergers and acquisitions (M&A). Whilst organizations undergo incremental (Cyert & March, 1963; Quinn, 1980) and ongoing disruptive change (Kanter, 1997; Brown & Eisenhardt, 2007), dealing with change is particularly critical when organizations face large-scale 'mega' change (Gersick, 1991), such as corporate restructurings or when such changes entail the encounter of two organizations, as in the example of mergers and acquisitions (M&A) (Faulkner et al., 2012).

The aim of the chapter is to capture the characteristics of middle managers, who faced with radical organizational change, as in M&A, not only have to personally thrive amidst this change, but moreover, to act as the driving force of this change initiative. The middle managerial challenge is embedded in this double-hatting - simultaneously delivering, whilst personally living through change. This leads me to argue that a middle manager's development toward global leadership that makes a difference depends on one's ability to personally undergo and lead such changes, when and where they arise. This requires learning to both implement change and personally make sense of change.

The chapter makes two contributions to extant theorizing. The chapter extends theorizing on middle managerial agency amid M&A to appreciating not only change agency, but also recipient agency. In so doing, the chapter also makes a contribution to global leadership. A middle manager's development toward global leadership depends on one's ability to personally lead and undergo radical changes, when and where they arise. This requires learning to both implement change and personally make sense of change.

The chapter begins with an overview of extant theorizing on managerial agency in times of radical change and M&A. Thereafter the focus shifts to presenting the findings from several empirical M&A cases. First, from the perspective of what middle managers 'do' as change agents amid M&As. Second, the emphasis shifts to the middle manager's experience of living through M&A whilst implementing this form of radical change. Based on this analysis, the third empirical section discusses the mental mindset required of middle managers in times of change. The final section concludes with implications for global leadership.

MIDDLE MANAGERIAL AGENCY AND STRATEGIC CHANGE

Whilst change can be considered a defining feature of natural and human systems (Tsoukas & Chia, 2002), the increasing turbulence and uncertainty characterizing today's organizational landscape has made change an essential feature of organizations (Burnes, 2009). Today's organization is not a static monolith; in its ideal form, it is becoming an agile hybrid that seamlessly shapes its way in the emerging, rapidly changing and globally dynamic competitive arena, as in the examples of Google or Apple. This shift has been paralleled by an ongoing stream of radical corporate transformations, as organizations have altered their strategic directions and structural make-ups in order to keep up with changing, ever more dynamic competitive landscapes. These changes have been particularly prevalent, though not limited to, high-velocity industries (Brown & Eisenhardt, 1997). The major change that

Nokia underwent in the early 1990s to transform itself into a telecommunications giant coupled with its recent acquisition by Microsoft, or the difficulties faced by IBM in the 1990s are prime examples of such radical changes. Despite their prevalence, such transformations are difficult managerial undertakings: 60-90% of major change initiatives are estimated to fail (see review in Burnes, 2009).

Radical change has not been limited to within firm change. In order to keep up with the pace of competition, organizations have further engaged in increasing merger and acquisition (M&A) activity. Though visible since the end of the 19th century, M&A activity has become increasingly prevalent since the 1960s-1980s (Kolev et al., 2012). These waves of M&A have shaped the global industrial landscape, with smaller players being submerged by larger corporations that themselves resemble patchworks of acquisitions, rather than singular organizations (Barkema & Schijven, 2008; Teerikangas, 2012b). These large, multi-organization corporations face restructurings, further mergers, and alliances. All the while, research points to the rarity of success in M&A (King et al., 2004; Zollo & Meier, 2008), largely owing to the difficulty of post-deal integration (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999), i.e. change management. If the implementation of both radical change and M&As is difficult, leadership and change management seem to matter. This raises the question - what is the role of executives and managers therein?

With the emergence of management and organization studies as academic disciplines, leadership has prompted a wealth of attention (Finkelstein & Hambrick, 1996). Amidst the various approaches to leadership, the leader's role as a change agent is well-known through theories of transformational leadership and visionary leadership (Bass, 1999). Much of this line of inquiry suggests, though, a lone hero approach to leaders amidst corporate change initiatives (Gill, 2003; Tichy, 1974). In parallel, research on change management has emphasized the role of top management team members and senior executives (Sonenschein &

Dholakia, 2012; Rajagopalan & Spreitzer, 1997). Beyond the leaders' and executives' role, the external change agent's role is emphasized in extant theorizing (Buchanan, 2003), particularly in the organizational development tradition (Burnes, 2009).

In contrast to this assumed active leader role, a wide body of literature acknowledges the psychological and emotional shock that major change causes to those affected (Adams, Hayes &Hopson, 1976; Bridges, 1990; Marks, 2007). This line of inquiry describes employees as recipients of change (Dent & Goldberg, 1999), reacting with negative stamina, anxiety and uncertainty to the news and changing circumstances (Schein, 2002; Stuart, 1995; Ford & Ford, 2009). Such a largely passive lens to employees facing change characterizes research on strategic change (Sonenschein & Dholakia, 2012) as well as research on M&A (Cartwright, 2012; Teerikangas, 2012a).

All the while, much of the practiced leg work during change initiatives is conducted by middle managers. In this position, middle managers act either in internal change agent or line managerial roles. The tradition in research on strategic change is to consider middle managers as resisting major change initiatives (Biggart, 1977). Their active, strategic role in supporting the implementation of radical change initiatives (Kotter, 1995) and corporate strategy (Mantere, 2008) has gained recognition. This line of work emphasizes the active do-er role that middle managers hold in times of major change. Yet, how to reconcile this do-er role with the fact that, in parallel, middle managers are also recipients of the change that they are helping to bring forth? Recently, the role of middle managers as both actors and recipients of change has been recognized. Based on a three-year inductive study of a large firm attempting a radical change, Huy (2002) conceptualizes this as middle managers engaging in emotional balancing. In other words, they need to deal with their own emotionality as well as the emotions of employees.

How is middle managerial agency portrayed in research on M&A? The role of middle managerial agency is recognized with respect to acquiring firm integration managers (Ashkenas et al., 1998; Ashkenas & Francis, 2000; Haspeslagh & Jemison, 1991; Shelton et al., 2003; Véry 2004; Dagnino & Pisano, 2008; Teerikangas et al., 2011) or acquired firm managers (Graebner, 2004). This work focuses on middle managers as active change agents shaping the progress of post-M&A implementation. The fact that middle managers need to balance this role against a simultaneous recipient role remains unacknowledged in M&A research. At present, there is little that we know about middle managers in times of M&A acting as change agents whilst simultaneously experiencing this change. This is the theoretical gap against which this chapter is positioned.

In this chapter, I extend the appreciation of middle managers amidst radical change as having to balance between active change agent and more passive recipient roles. My focus is on a particular form of change, mergers and acquisitions. To this end, I provide a review of extant theorizing on middle managerial agency in times of M&A. This theoretical review is supported by two recent empirical studies. These empirical studies of M&As represent domestic and cross-border combinations. In a recent paper, Reynolds and Teerikangas (2015) argue that in the contemporary global environment, also domestic M&As are impacted by international dynamics. This makes the authors claim that purely domestic M&As are a myth (ibidem). Thus, the experiences gathered from both domestic and cross-border combinations bear interest for global leadership.

Study I focused on post-acquisition integration dynamics following eight cross-border acquisitions, conducted by four Finnish, industrial, globally-operating firms. The study was conducted using a grounded theory approach (Glaser & Strauss, 1967; Glaser, 2001). A total of 166 interviews were conducted. The study is reported in Teerikangas (2006; 2012b). *Study II* combines interviews with ethnographic and auto-ethnographic data, whilst engaged and living through a tripartite domestic university merger (Teerikangas & Tienari, 2012). In this study, I was engaged in the merger in employee, researcher and change agent roles. This multiplicity of roles allowed me to observe the varying faces that change agency bears amidst radical change.

MIDDLE MANAGERS AS CHANGE AGENTS IN M&A

Change implementation

The role of change agents is to support the implementation of the sought change. The seminal work of Kurt Lewin cemented this active change agent role in the now classic, three-phased 'unfreeze-move-freeze' approach to the implementation of planned change (Lewin, 1951; Marrow, 1969). Whilst this model has become a classic amid the organization development profession, it has led to numerous variations (see Burnes, 2009 for a review).

'Absorptive' acquisitions where the aim is to fully integrate the target firm into the acquirer's operations can be considered a form of planned, radical change, bearing on the target firm (Haspeslagh & Jemison, 1991). Mergers and 'symbiotic' acquisitions (Haspeslagh & Jemison, 1991) evoke change to both parties. Until the 1970s, much of M&A activity involved unrelated acquisitions – this was reflected in little change toward the target firm; targets were kept as independent arms amid the acquirer's organization. Since the 1980s' focus on a firm's core competencies (Kanter, 1989; Kanter, 1997), acquirers began expand via related acquisitions. As, in parallel, firms began to seek globally integrated operations as a means of enhancing effectiveness (Bartlett & Ghoshal, 1998), this has come to be reflected in an increasingly integration-oriented acquisition approach.

This seeming late arrival of change management or integration management into the domain of M&A explains why the first practitioner articles identifying the role of the integration manager were published in case study format only in the late 1980s (Dionne, 1988; De Noble et al., 1988) and in practitioner outlets in the late 1990s. The latter *Harvard Business Review* publications (Ashkenas et al. 1998; Ashkenas & Francis, 2000) explicitly formulate the integration manager role in M&A. Ashkenas et al.'s (1998) study of General Electric's (GE) acquisition process was the first to introduce this role as one of the defining characteristics of successful acquisition management at GE. It was only in 1994, after having completed many deals that GE noticed that the appointment of a manager in charge of the integration process was critical to acquisition success: *"Integration management is a full-time job and needs to be recognized as a distinct business function, just like operations, marketing or finance … someone needs to manage it."* (Ashkenas et al., 1998: 169). One of the main roles of the integration manager is to facilitate and manage integration activities.

In a follow-up study of companies across industries, Ashkenas & Francis (2000) formulated an enhanced understanding of this role. They claimed that, for long, acquisitions have been conducted, yet *"no-one has been responsible for the integration process"* (Ashkenas & Francis, 2000: 108). In their study, they noticed that 'enlightened' companies have appointed an executive, a 'guide' or 'shepherd', to coordinate post-acquisition phase activities. For example in Johnson & Johnson, the need for an integration manager was noticed as late as in 1998. Ashkenas & Francis (2000) find that, at best, integration managers support the progress of post-acquisition integration by (a) injecting speed into integration work starting before the deal, and especially in the first 100 days following the deal, (b) creating an integration structure for the post-acquisition phase, including integration teams and executive reviews, (c) forging social connections between the two organizations, and (d) helping to engineer short-term successes. These findings have received confirmation in subsequent studies. Epstein (2004) highlights that successful post-merger integration rests, amongst others, on a strong integration team involving both firms, with a dedicated integration manager in charge. Nolop (2007) notes that having a business sponsor driving and executing the deal is a success factor in M&A. Over the years, the role of the integration manager seems to have established itself as part of the rhetoric of M&A management in practice and theory (Shelton et al., 2003; Véry, 2004).

What do integration managers do? In *Study I,* I found that as change agents, the main task of integration managers is to initiate and guide the implementation of post-deal changes, particularly with respect to introducing new ways of working, office layout changes, new reporting systems and changes to organization structures. Through this active role, integration managers are considered as representing a visible sign of support from the buying firm. In parallel, integration managers support post-deal change by easing the acquired firm's access to the acquiring firm's top management attention. They might also fill up a leadership vacuum, until suitable candidates are locally available. This explains why the role of the integration manager bears performance consequences (Teerikangas et al., 2011): the integration manager helps to capture value by furthering the progress of integration and securing the motivation and retention of staff. Not surprisingly, in comparing acquisitions against one another in *Study I, s*uccessfully integrated acquisitions tend to be ones that have received implementation support, in contrast to less successful ones:

> "There are differences in the degree of integration across the businesses in this unit. Those that had an expatriate Finnish manager have changed more in comparison to those that have remained being managed locally. If you do not guide the change, it cannot happen." (Manager from a Finnish industrial, global acquirer in Study I)

Cultural change

Beyond the implementation of post-acquisition change, acquisitions wherein some degree of integration is sought (Haspeslagh & Jemison, 1991; Larsson & Finkelstein, 1999) are further reflected in acquirers tending to change the target firms culturally. The cultural shock(s) ensuing from the encounter of previously separate organizations are well documented (Marks, 1982; Buono et al., 1985; Buono & Bowditch, 1989; Olie, 1994). Beyond a culture shock, M&A are argued to result in acculturation processes (Nahavandi & Malekzadeh, 1988), as both sides become accustomed to working together. Such processes operate across organizational cultures in domestic mergers and, further, across national cultures in cross-border deals; hence the term 'double-layered acculturation' (Barkema & Bell, 1996).

Cultural differences remain an executive concern, who keep ranking culture amid the key challenges in making M&A work. Extant theorizing on M&A has identified that the degree of post-acquisition cultural change depends on the involved firms' cultural integration strategies (Buono et al., 1985; Cartwright & Cooper, 1992) and proceeds in phases (Sales & Mirvis, 1984). Recent studies suggest that all post-acquisition changes (i.e. resulting from integration activity) induce cultural change (Teerikangas & Irrmann, 2016), thus structural and cultural changes following M&A are mutually interrelated (Teerikangas & Laamanen, 2014).

Paralleling the acknowledged centrality and complexity of cultural change to M&A integration and success, the integration manager's role vis-à-vis cultural change is captured in Teerikangas et al., (2011), who observe that integration managers bear a cultural carrier role. This role enables capturing value sought from the transaction, as the target firm's ways of working and culture gradually become aligned with the acquirer's. For one, in this role, the integration manager helps the acquired firm to gradually shift toward the buying firm's organizational culture. This role can be undertaken either purposefully or implicitly as, by their sole presence, integration managers promote cultural exchange:

> "As expatriate Finns onsite, we helped the integration a lot: to understand our firm's organizational culture, its background, and ways of working. People that carry the corporate culture within them should be the ones that are moved to the new

> location, i.e. the opinion creators, the talkative and political ones. They should be able to ensure buy-in to the new parent's way of working in all situations. This is one way of breaking barriers." (Manager from a Finnish industrial, global acquirer in Study I)

For another, in cross-border deals, also national cultures come into play. In such transactions, in addition to a cultural change agent role, integration managers help to translate traces of the parent firm's home country's national culture toward foreign acquired firm employees. This is termed a national culture translator role (Teerikangas et al., 2011):

> "The expatriates present here have also introduced us to the Finnish culture, e.g. 'there's a sauna in the new building'. They've helped us to understand the Finns' silence and quietness, as they are more subdued and closed as compared to Americans, they are brief and direct in their communications, e.g. how to read a Finn's short email. Otherwise, it would be hard to know about the Finnish culture, so for us, it is nice to know about Finland." (Manager from an acquired American multi-site industrial firm in Study I)

Communication, involvement and motivation

Communication is central to the implementation of change (Kotter, 1995). In their classic work on post-acquisition integration Haspeslagh and Jemison (1991) posit that inter-firm interactions are *"at the heart of integration"* (1991: 117). In technology acquisitions, Ranft and Lord (2002) found the construct of post-acquisition communications to be multi-dimensional in terms of content and frequency. Frequent and open communications facilitate post-deal integration. They found the richness of exchanges to be determinative of the effectiveness of communication; thus, face-to-face contact has more effect than virtual contact. They concluded that rich communications in turn support knowledge transfer and the establishment of a climate favourable to change. In a similar vein, Ellis et al. (2009) found that the degree of open communications is positively related to value creation following acquisitions.

The role of corporate communications and the transition team take centre stage during M&As (Bastien 1987; Burke 1987; Ivancevich et al. 1987; Cartwright and Cooper 1992; Schweiger et al. 1993). In certain cases, making counselling available to employees in the post-deal phase has been advised (Cabrera 1982). Haspeslagh and Jemison (1991) identify three types of interactions: 'substantive interactions,' which refer to ensuring that the objectives of the acquisition are met; 'administrative interactions,' which relate to setting the reporting and control relationships in place; finally, 'symbolic interactions,' which relate to setting the long-term vision for the firms as well as the 'rules of behaviour'.

What is the role of the integration manager herein? In order to capture value from the deal, Teerikangas et al. (2011) find that integration managers need to secure the acquired firm's commitment toward the new parent firm. As a baseline, this can be likened to a hygiene factor in that without staff motivation, the acquiring firm has little leverage for action from the acquired firm. Taking the argument forward, depending on the target firm employees' degrees of engagement toward the deal, greater degrees of individual level effectiveness and work performance can be expected (Kahn, 1990; Salanova et al., 2005). Teerikangas et al. (2011) thus highlight the role of integration managers in involving and empowering acquired firm staff - making them participate in post-acquisition efforts. Notwithstanding, acquired firm involvement in post-acquisition activities has been identified among M&A success factors (Schweiger & Goulet, 2000; Graebner, 2004).

Interface management and gate-keeping

Beyond formal and informal communications, the role of daily interactions between the two organizations is critical. M&A are at heart organizational encounters; that is, encounters of people. In this respect, socialisation and interactions are critical to post-deal integration (Buono and Bowditch, 1989; Olie 1990; Cartwright and Cooper, 1992; Larsson & Finkelstein, 1999). Calori et al. (1994) studied 'informal control mechanisms' (Ouchi 1981; Bartlett and Ghoshal 1989) in M&A integration. Larsson and Lubatkin (2001) emphasized the importance of 'social controls' in fostering acculturation following M&A. Exchange and interaction help to promote learning and knowledge sharing (Schweiger and Goulet 2000; Larsson and Lubatkin 2001). In times of M&A involving the encounter of tens, hundreds or potentially tens of thousands of employees, how are such interactions facilitated? This is where the role of integration managers becomes critical.

In their seminal study of acquisition management, Haspeslagh and Jemison (1991) identified the role of the integration manager in the early post-deal aftermath as an essentially bridge-building role. Haspeslagh and Farquhar (1994) concur that interface management or 'gate-keeping' between the buying and acquired firms to be critical. In acquisitions where exchange and integration is expected, 'interface management' becomes important, to the extent that 'the quality of interface management becomes a key to unlocking acquisition value' (Haspeslagh and Jemison 1991: 156). The role of interface management is to control the pace, nature, and timing of inter-firm interactions. Depending on the integration approach, interface management serves a gatekeeping function either to (1) provide transitional management in a full integration 'absorption' acquisition, (2) support mutual knowledge transfer in a 'symbiotic acquisition', or (3) protect target firm boundaries in a 'preservation' strategy where granting target firm autonomy is high priority (ibidem).

This gate-keeping function resonates with subsequent research findings. In their work on GE Capital's acquisitions, Ashkenas et al. (1998) find that beyond change management, the role of integration managers is to (1) help both sides understand one another's business, and to (2) build a connective tissue between the organizations. This role further reflects

Ashkenas and Francis's (2000) findings on the need for integration managers to forge social connections between the two organizations. In a theoretical review, Dagnino and Pisano (2008) mirrored the integration manager's role against the innovation champion's role. In so doing, they claimed e.g. networking capabilities and knowledge of buying firm power centres to be key characteristics of successful integration managers. This role supports the theory of social networks (Nahapiet & Ghoshal, 1998): the creation of strong social networks facilitates the transfer of internal knowledge between units and fosters cooperation (Kostova & Roth, 2003).

Knowledge transfer and utilization

Knowledge transfer is a strategic rationale particularly in knowledge-intensive acquisitions, such as in the purchase of professional service firms (Empson, 2001) or technology-based firms (Graebner, Eisenhardt and Roundy, 2010). Integration managers support integration by enabling the transfer of knowledge between the firms.

On one hand, as newcomers in the acquiring firm, acquired firm members have much to learn as to how to effectively function in the acquiring firm. The integration manager can help in steering toward what knowledge exists and where to find it. The integration manager understands the firm's ways of working, organization structure, technology, and products, and can therefore help to locate sought information. Ashkenas et al. (1998) term this role 'helping the acquired firm understand the acquiring firm'.

On the other hand, the ability of the integration manager to 'sell' the acquired firm's know-how and products within the acquiring firm is critical. A difficulty with regard to utilizing the acquired firm's know-how relates to potential 'not-invented-here' syndromes (Blake & Mouton, 1984; Buono & Bowditch, 1990) or 'stickiness' in the acquiring firm (Szulanski, 1996). It is into this context that the integration manager's role as 'champion' of the acquired firm's know-how needs to be placed. As a member of the acquiring firm, the integration manager can bypass these potential biases with regard to utilizing 'external' knowledge (Dagnino & Pisano, 2008), and ensure that the acquisition creates value through the effective use of the target's know-how.

Involving the acquiring firm

Post-acquisition integration tends to be portrayed as a managerial concern, the remit of executives and change agents, whether internal or external. Yet, the goal is for the newly acquired organisation to mould its ways to the buying firm's ways of working. To reach this aim, the findings from *Study I* posit that the support of the entire parent firm is needed.

To illustrate this point, imagine the reality of a large-scale merger involving 50,000-100,000 employees; if the responsibility for integration rests only on executives and change agents, this means that the agency residing in the remaining employee base with respect to integration support remains untapped. Employees might unwittingly engage in value destructive behaviours, as they do not recognize their role in making the merger work. This is the reality in many acquiring firms. The everyday role of colleagues supporting one another during M&A remains unrecognized, as integration is considered the remit of change agents. In particular, the role of buying firm employees in support of the acquired firm's integration deserves attention.

Whilst the goals and benefits of an acquisition might be clear to buying firm managers, they rarely are as clear to employees across the buying firm. As a result, they do not recognize their role in making the transaction succeed. In order to speed integration efforts and to secure the achievement of the acquisition's strategic and financial targets, acquirers need to engage in active internal marketing within the buying firm. Such internal marketing can relate to the strategic rationale behind the acquisition, goals for integration and the role of everyday interactions in making the acquisition succeed. Such transparency in expectations toward buying firm employees gives them the opportunity to recognize their role in making the acquisition succeed. Then, they can be expected to support the achievement of the acquisition's goals in their daily work. In practice, though, this rarely occurs. As the following quote illustrates, many acquirers omit the significance of daily support toward the target firm in the weeks, months and years following the acquisition:

> "As time passes since the acquisition, it becomes less easy to get help, as people are busy. As they are not dedicated toward the integration, it is an additional task for them." (Managerial interviewee - Danish acquired unit in Study I)

In sum, I argue that there is a need to expand the current view of acquisitions as being the sole responsibility of the integration manager(s), to viewing their success as ultimately dependent on the way the entire buying firm supports the integration phase. There is a need to recognize the entire buying firm's role in ensuring the success of acquisitions. Here, the role of middle managerial change agents is to help in promoting such behaviours. In the Nokia Siemens Networks merger in 2007, this was one of the explicit goals.

MIDDLE MANAGERS EXPERIENCING M&A

Beyond the role of middle managers delivering change during M&A, middle managers are simultaneously caught amidst experiencing this radical change. The change that they are implementing is not an abstract object that they are implementing as neutral change agents, but one that affects those in charge of its implementation. Middle managers need to make sense of both facets of change: implementing the change, whilst simultaneously experiencing it. In the following, I use insights gathered from *Study II*, conducted as an ethnographic study of an unfolding university merger, to highlight this experience.

An experience at high pace

Pace and timing are critical for M&A implementation. The question is, whether post-acquisition changes ought to be implemented immediately upon completion of the transaction, or whether a gradual approach is more effective (for a review, see Teerikangas & Joseph, 2012). If the former approach is adopted, the experience implementing a merger or acquisition occurs at high pace and bears a hectic element.

As opportunities to purchase firms are prompted by market opportunities, integration projects land on managers' desks with a seeming suddenness. Deals are closed amid high degrees of confidentiality. Integration managers are, at best, involved prior to the closing of the deal, or alternatively, hear of their new mandate close to or following the transaction. In either case, high pace and a hectic element characterize the post-acquisition integration effort. Instead of post-acquisition implementation being planned minutiously over time, M&A planning and implementation start abruptly and then need to move on at high pace. This adds an element of serendipity (Merton & Barber, 1910) to integration work. Instead of a planned change approach (Lewin, 1951), an element of emergence is involved (Tsoukas & Chia, 2002).

What are the implications onto integration work? The sudden nature of M&A transactions explains why those engaged in M&A integration teams might have to double-hat with their ongoing roles. This leads to these individuals working amidst a high workload. Under such circumstances, integration team members are unable to attend to the amount and quality of time that the integration tasks ideally require. Consequently, decisions are made hurriedly, materials are browsed at high speed, sought individuals are not available for working groups. In sum, instead of M&A implementation being carried out under conditions of neatness or linearity, the experience of implementing such change initiatives is one of working amidst seeming temporal chaos, ambiguity and high pace, as described in

Teerikangas & Tienari (2012). This raises the interesting question of what are the implications on outcome quality? Is high pace amid a high workload conductive to high performance, or alternatively, is the change implementation losing its edge via lost focus? This is a concern in research on creativity (see Sonenschein, 2014, for a review).

A context endowed with emotional ambiguity

Whilst the emotional outcries that M&As bear on the employees concerned have been amply documented, be it with respect to the uncertainty and stress provoked (Cartwright & Cooper, 1990), the positive reactions (Teerikangas, 2012), the ambiguities involved (Risberg, 2001) or the phases that employee emotions undergo following change (Ashkanasy & Holmes, 1995; Buono & Bowditch, 1989) this work has implicitly assumed that only employees, i.e. those subjected to the change, react to the news. Paralleling Huy's findings (2002) on middle managers engaged in emotional balancing amid radical change, in our ethnographic observations in Study II, we found that agents in charge of implementing change are caught amid emotional ambiguity (see Teerikangas & Tienari, 2012). The experience of delivering change is an emotional experience for those involved. Change agents need to navigate a range of emotional realms as they engage in delivering change.

For one, whilst implementing change, they are personally caught up in an emotional limbo. Whilst implementing the change, they are in parallel recipients of the same change. Thus, they need to make sense of the change for themselves. This is characteristic of mergers and of acquired firm managers in acquisitions. In contrast, acquiring firm managers in acquisitions do not experience the change, unless the acquisition is conducted as a symbiotic acquisition or metaphoric merger, where both sides change.

Further, such an emotional limbo characterizes the entire integration organization, as its members are simultaneously delivering and experiencing the change. Given the high stakes involved, the emotional experience amidst the integration teams ranges from enthusiasm to mourning: early phases of the change can be likened to a ‘honeymoon’ period characterized by enthusiasm, whereas the resilience of the team becomes tested once the change moves onto more challenging ground. Political stakes emerge, employees are unhappy, many leave, change implementation loses its momentum. Clearly, the emotions amid the integration organization change from one implementation phase to the next.

Third, integration managers need to make negotiate shifting emotions as they encounter members of the organization not actively involved in change agency. Whilst meetings with other integration team members might be endowed with the palpability of making the change happen, this contrasts with meetings with those not actively involved. Depending on who one is talking to, the discussion takes a different tone, and one might is considered in different light. In *Study II*, we observed that two sides emerged: change agents on one hand, and the ‘normal’ organization on the other hand.

These three points lead me to argue that instead of being a ‘neat’ and ‘neutral’ experience, implementing change is an experience during which numerous emotions are witnessed from one moment to the next, even amidst the integration organization. Change agents are not exempt from emotional ambiguity. Emotional ambiguity not only characterizes the organization they are seeking to change, but further, the integration agents and the integration organization itself.

Spearheading cultural change whilst transitioning toward the new culture oneself

We observed earlier how implementing post-acquisition change and cultural change are central to M&As, when high degrees of organizational integration are sought. Whilst the complexity of post-acquisition cultural change is acknowledged, this work, however, has treated managers as executors of cultural change. All the while, (1) acquired firm managers in acquisitions, and (2) both sides' managers in mergers are involved in having to make sense of the new culture whilst implementing it. This is what we observed in *Study II.*

For integration managers and middle managers, this translates into spearheading and role-modelling the new cultural regime, whilst simultaneously seeking to personally make sense of this change. Thus, the organization's cultural change is supported by middle managers themselves caught in the midst of a cultural change journey. This means that they are not yet 'ideal' types representing the new regime. Perhaps this mismatch between seeking a new cultural regime and the lack of daily roles models in the organization explains in part why cultural change following mergers is a long-term endeavour. There is a time-lag - it takes weeks, months, or years for the managers on both sides to operate according to the sought cultural regime. In the meantime, the official discourse on the new organizational culture is publicized as the 'sought' behaviour, whilst role models have not yet internalized the new behaviour. It needs to be recognized that for many middle managers, the new cultural regime might represent a stretch – for example, how to comfortably transition from a hierarchical to a participative culture; how to learn to involve one's colleagues decisions that one is used to taking authoritatively? Whilst implementing change, integration and middle managers are daily role models to the organization – at times of a behaviour they themselves are learning to appreciate.

THE MINDSET OF MIDDLE MANAGERS AMID CHANGE

Given the kinds of activities that middle managers need to undertake as change agents and change recipients, what kinds of mindsets are conducive to value-creating outcomes?

Domain expertise

Findings from *Study I* confirmed that in order to win the professional respect of the staff and management of the acquired organization, integration managers need to be experts in their respective professions. The domain expertise required per acquisition is company- and industry-specific, and hence, depending on the context at hand, domain expertise can refer to technical, professional (e.g. law or finance), business, or management-related expertise, or a mix of these.

A cooperative mindset

Extant theorizing reflects the importance of the buying firm's attitudes in enhancing mutual cooperation in the post-deal phase (e.g. Olie 1990, 1994; Deiser 1994). The need to create an atmosphere supportive of capability transfer (Haspeslagh and Jemison 1991) and the importance of fairness during post-acquisition integration (Hambrick and Cannella, 1993) are emphasized. Why are such attitudes critical? As the acquisition context is one in which the acquired firm is easily considered as the 'underdog', by adopting attitudes enhancing cooperation, buying firm managers can develop a relationship of trust with acquired firm's managers and employees. I observed in *Study I* that this is likely to enhance the employees' willingness and enthusiasm to work for the new parent firm:

> "In acquisitions, there is always an inferiority complex for the acquired company, or such a complex easily arises, unless the buying firm makes an effort, e.g. 'we will fly you over to Finland; we can discuss our differences; discuss the transition, let us find a solution'. The question is about how to get people into same boat. You first need to have a common problem. Also, you need to make the acquired firm feel they are valued, you need to concentrate on HOW we will do it: we will do it together."
>
> (Manager from a Finnish industrial, global acquirer in Study I)

Attitudes enhancing cooperation refer to keeping promises, humbleness, positive feedback, respect, involvement and listening, kindness and caring, sensitivity, openness and trust. These parallel the tenets of positive organizational scholarship (Cameron et al., 2003; Cameron & Spreitzer, 2012), which advocates for viewing people and organizations from an opportunity and expansive perspective, instead of focusing on their weaknesses and limitations. Notwithstanding, displays of such cooperative attitudes are positively experienced in target firms (Teerikangas et al., 2011). A lack of these attitudes, such as breaking promises, a disregard for the human element in the acquisition, and signs of disrespect or distrust tend to be negatively perceived. I observed in *Study I* that interviewees from acquired companies with prior acquisitive experience traced back the differences between their former parents to the way each had treated them.

The notion of sincerity is critical, though. Unless the buying firm representatives are sincere with their cooperative attitudes, these are not likely to be well received in the acquired firm. Successful integration projects thus tend to be characterised by buying firm integration managers that *genuinely* seek to make the acquired firm employees feel welcome, and hence undertake cooperative attitudes toward them.

Assertive tolerance

In addition to attitudes enhancing cooperation, attitudes spurring change are needed in the post-deal phase. The use of attitudes enhancing cooperation alone might lead to behaviour characterised as 'too nice' and 'too soft'. As acquisitions represent contexts of change, attitudes spurring change are also needed during post-deal integration. This is what Napier et al. (1993) termed 'assertive tolerance'. Attitudes spurring change ensure that the sought changes, be they operational, technical or cultural, are completed on time. In *Study I*, I found such attitudes to relate to determinism, being demanding, realism, avoiding over-politeness, and moving on vs. grieving the past. The balance between attitudes supportive of cooperation vs. change parallels Losada & Heaphy's (2004) study on top management team performance;

they found that high performance is reached when team members posit a balance between inquiry and advocacy modes of inquiry.

Mutuality

The attitude that buying firm integration manager(s) undertake toward the acquired firm's know-how and skills bears significance. In *Study I*, I observed that mutuality is important; it is a concrete signal of trust and respect toward the acquired organisation. It helps to spur collaboration. Where mutuality is present, the acquired firm's employees point this out with enthusiasm, whereas its lack is noted with disappointment and considered a sign of disrespect.

Mutuality refers to (1) mutual learning, and (2) mutual change. Mutual learning refers to situations in which the buying firm is not only transferring its know-how and ways of working toward the acquired organisation, but where knowledge transfer in the opposite direction also occurs. For example, the acquired organisation might have expertise in a given product area or function, such as marketing or production. By not only maintaining this know-how in the acquired organisation, but also attempting to transfer (part of) it into the buying firm, the acquired organisation's expertise is acknowledged. This is experienced as a motivational boost, as the target's skills and knowledge are appreciated, instead of being lost (Teerikangas et al., 2011). On the contrary, the lack of such behaviour is not conductive to establishing a relationship of trust and spurring motivation in the acquired firm. Ultimately, it can lead the acquired firm to function less efficiently than it used to prior the acquisition (ibidem). Beyond mutual learning, mutual change is also appreciated by the acquired firm's employees. Mutual change is more likely in merger-type deals.

Cultural and linguistic intelligence

In cross-border deals (and in domestic acquisitions undertaken by globally-operating acquiring firms), intercultural and linguistic skills are needed. These acquisitions cut across cultural and linguistic boundaries. This resonates with the need for international managers to be culturally aware and possess language skills (Shanahan, 1996). In international settings, the notion of cultural intelligence is critical (Thomas and Inkson, 2003). Based on a study on how cultural differences are managed in cross-border M&A, Morosini (1998) observes that pragmatic cross-cultural skills are required. He further claims that national cultures provide a competitive advantage to the firm, as each national culture introduces particular organisational routines. Also Ashkenas & Francis (2000) suggested the need for cultural intelligence when acquiring across borders. What does this mean in practice? Openness to differences and the ability to talk through conflicting viewpoints were celebrated in *Study I*. Interculturally sensitive managers adjusted to the best of both sides, instead of force-fitting their views onto the other party.

In reality, often we are not there yet. In *Study I*, I found that middle managers in global acquiring firms might lack intercultural awareness. This occurs particularly when professionals lack previous international exposure e.g. by travel or living in other cultures. They might not recognize themselves as culture-bearers, not might they recognize the cultural roots of their organization's routines (Teerikangas & Irrmann, 2016). This bears negatively on the post-acquisition phase, as misunderstandings might be interpreted from a right/wrong perspective, or attributed to personal qualities, instead of being recognized as bearing a cultural component.

Beyond cultural skills, *Study I* highlighted how successful integration managers portray international experience and language skills beyond English. This enables them to more effectively develop relationships in cross-border contexts. Thus, a Finnish engineer fluent in German maneuvered a cross-border acquisition integration project with a German firm. Another German-speaking Finn survived in the Eastern part of France, Alsace, where the local dialect bears a resemblance to German. Even amidst English speakers, degrees of fluency vary, as do dialects and means of using the language, as in the comparison between the English, the Americans and the Australians. This reminds us that in cross-border contexts, integration managers need to be culturally and linguistically competent chameleons, able to seamlessly navigate their way across varying cultural and linguistic landscapes.

An inner sense of resilience

Working under ambiguous circumstances of radical change calls for the development of a capability to survive amidst ambivalent conditions: it calls for resilience (Buchanan, 2003; Välikangas, 2010). This is what we observed in *Study II* as we followed the progress of post-merger integration ethnographically.

An integration team member needs to maintain a face of resilience in front of internal and external audiences. As long as one is in a formal integration related role, one has to formally believe in and communicate the official change discourse. All the while, through one's involvement and access to information, one might have concerns, doubts or worries related to the progress or future of the change. Yet, as a member of the integration team, these cannot be openly voiced, lest cycles of fear and uncertainty are unleashed. Employees and customers will inquire about the progress of the merger. In an integration team position, one has to take a constructive and optimistic view, the official merger viewpoint, in one's answer:

> ".. As long as I am in a formal role in a change process, I have to maintain the official and further, a positive, discourse toward internal and external stakeholders. I see this as my natural duty, when engaged in such a role." (Integration team member – Study II)

Whilst maintaining such a discourse might be part of a change agent's role, this role entails the development of internal resilience, in that one has to believe in the change, the process, the outcome, whether or not one's rational or intuitive mind does. Further, in a change agent role, one needs to enthuse trust in the process and its outcome, even if one would not, throughout the many phases of the change initiative, always personally believe in its positive or constructive outcome.

I argue this to be at the heart of the personal challenge of undertaking a change or integration related role: no-one knows if the project will succeed, but it never will unless those in charge believe in it. This was recently illustrated in the project team in charge of delivering the Infrastructure for the London Olympics. Despite early setbacks and the challenging nature of their mission, the core team retained a belief in a successful outcome. Nurturing this belief requires resilience. All this in a situation bearing uniqueness – as the team involved does not have experience of this change. Thus, whilst withholding a sense of resilience, one almost has to 'let go' of one's fears, and trust that the process unfolds, through collective action, in the right direction. Does the lack of such resilience in part explain the high attrition rates following M&A?

Emotional intelligence

The importance of emotional intelligence in the workplace has come to be recognized (Goleman, 1996). Instead of a purely rational arena, the workplace is endowed with emotionality (Barsade & Gibson, 2007). In M&A settings, this bears relevance in that managers need to appreciate and cater for the multiplicity of emotional reactions. This is a challenging managerial endeavour.

For one, reactions to change differ from one individual to the next, depending on personality type (Barger & Kirby, 1995), individual circumstances, and the individual's ability to cope with change (Green, 2007). For another, emotional reactions proceed in phases, depending on what type of change is being implemented, and how the change is managed (Buono & Bowditch, 1989; Teerikangas, 2012b). Further, there are contagion elements, in that rumouring (Marmenout, 2011) occurs, and positive/negative emotions spread in one's vicinity (Bartel & Saavedra, 2000; Barsade, 2002). Thus, at no point in time can integration managers consider that they 'know' the emotional state of the organization. Taking a postmodernist perspective, the merging organizations appear in ongoing emotional limbo. An appreciation of the emotional state of the change 'recipients' escapes a purely rational reasoning. It calls for emotional intelligence.

In parallel, integration and middle managers need to make sense of the effect of the merger or acquisition on their career and future prospects. Is this a workplace they believe in? Is the change moving in a desirable direction? What are the prospects following the merger or acquisition? These parallel emotional engagements explain why Huy (2002) observed that middle managers need to engage in emotional balancing in times of radical change.

CONCLUSION

This chapter has sought to explore the role of middle managers as internal change agents in times of radical organizational change, using the example of mergers and acquisitions. Whilst change agency is traditionally portrayed as the legacy of executive sponsors and external change agents, the role of middle managerial agency is being recognized (Huy, 2002; Mantere, 2008). In this chapter, I have sought to extend this line of theorizing by focusing on the role of the middle manager as an internal change agent when faced with a particular form of radical change. The findings from the chapter are summarized in Table 1 below.

--------insert Table 1 about here--------

Throughout the chapter, the argument has been that what makes middle managerial change agency intriguing is that beyond a role in 'implementing' change, middle managers are simultaneously engaged in 'experiencing' this change. Middle managers are thus caught amidst radical change as both 'agents' and 'recipients' of change. I argue that the potential of middle managers to make a difference in the implementation of such radical change initiatives depends on their ability to seamlessly combine these two roles. Whilst previous research on radical change and M&As acknowledges the change agent role of middle managers, the latter role of receiving change is gaining recognition (Huy, 2002). The main contribution of this chapter has been to introduce this duality in middle managerial agency to the context of M&A.

The findings bear three implications to global leadership. Today's organizations are not static monoliths operating in disregard of their external environments. In contrast, today's global organization is the product of numerous acquisitions and mergers (Barkema & Schijven, 2008; Laamanen & Keil, 2008; Teerikangas, 2012), thus portraying a history and future of reorganizations and restructuring. Radical change has become part and parcel of the modern global firm's ethos. From a leadership perspective, thriving amidst such changing conditions calls for a capability to manage radical change. What is a global leader other than one who can seamlessly navigate smaller and larger scale change (Lane et al., 2004; Osland, 2004)? This is the first implication.

Global leaders are not born into their roles, though. Individuals develop their (global) leadership potential throughout their careers (Lane et al., 2004). If the organizational context is one of ongoing change, then one's ability to implement change and live amidst change would appear to be critical on one's development toward global leadership. Involvement in change initiatives has been found to bear positively on one's personal development and future career prospects (Buchanan, 2003). In the context of global leadership, middle managerial experience is what makes or breaks one's global leadership potential. In those years, the opportunity to engage in radical change not only tests one's ability to lead change, but further, tests one's ability to navigate the inner world of change. Whilst the former is well-known to practitioners and theorizing on change management, the significance of the latter is yet to be recognized in full. This is the second implication.

The learning to be gained through introspection, reflection, and analyzing the inner world of change is perhaps the key to making global leaders effective at managing change. Why is this? The experience of change is never a fully comfortable one. The kinds of skills that middle managers gain as they undergo and are engaged in implementing numerous change initiatives, if they maintain reflexivity, are likely to make them not only more capable, but further, more resilient and emotionally intelligent to deal with uncomfortable circumstances. This resonates with Wills & Barham (1994) who argue that the skills required from an international manager consist in cognitive complexity, emotional energy and psychological maturity. In sum, if middle managers are able to philosophically solve the puzzle of change for themselves, they are likely to be able to solve it for others as well. If they learn to deal with the 'inner world' of change, they are likely to become better at also enabling change in others.

TEXT BOX 1: Ideas for further research

The chapter opens intriguing questions for future research. Clearly, there is a need to further unpack middle managerial agency in organizations, particularly in times of change. The following questions are raised:

- What does the 'inner world of change' consist in, and how do middle managers make sense of their experiences of change and learn from them?
- How do middle managers negotiate their position in times of change upward toward senior executives, downward toward their team members, horizontally toward their peers, and externally toward customers, suppliers and societal stakeholders?
- What are the characteristics of middle managers that move onto senior executive positions and global leadership roles? How does this transition occur?

TEXT BOX 2: Relevance for educators

The findings are a call for educators to consider their role in supporting undergraduate, postgraduate and executive students in not only appreciating organizations and management in stable settings, but further, in appreciating change, change management, and one's ability to navigate amidst a changing environment. The question is – in a world undergoing ongoing change, have educators failed in equipping students with a mindset acknowledging change (Tsoukas & Chia, 2000)? Educators are recommended to consider providing:

- Courses and sessions on change and change management to help students discuss change, its many features and dynamics in today's organizations. This will enable students to understand change as a phenomenon and the many approaches to managing change.
- Opportunities within the curriculum for students to make sense of their daily experience of change (e.g. via diary methods, individual/team tutoring) and support them in

appreciating the ‘inner world of change’, using theorizing from philosophy, psychology, cross-cultural psychology and change management. It is important to recognize that a key managerial capability is one’s ability to experience change vs. only manage it. Personal development is becoming fashionable in corporations, MBA programs and business schools, e.g. via the use of life coaches and mentors, and modules on self-leadership or philosophy.

- An appreciation of the role of middle managers in organizations is needed, instead of an emphasis on leaders and executives. Also, the role of interpersonal interactions and colleagues at work deserves recognition (Kahn, 1990; Sonenschein & Dholakia, 2012). What is the future of management education – are we educating managers that ‘manage’ others, or professionals capable of interacting and building relationships within and beyond the workplace, professionals that further ‘know’ themselves? Through a change in the focus of management education, there is an opportunity to unleash hitherto untapped potential in organizations.
- MBA and executive training on the role of integration managers in times of M&A.

TEXT BOX 3: Interest to practitioners

The business case for global leaders appreciative and capable of dealing with the outer and inner worlds of change is dire. To date, change has been recognized as the role of senior executives and change consultants. Could it be that one reason for the recurring poor success rates of radical change initiatives, such as M&As, rests on a lack of middle managerial change capability? I argue that unless the role of middle managers in implementing change is recognized, organizations might not be utilizing this managerial resource available to them (Penrose, 1959). Change management calls for middle managerial agency with respect to the ability to implement and experience change.

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Table 1: A summary of the findings from the chapter

Middle managers' roles as change agents in times of radical change	**Middle managers' experience as change recipients in times of radical change**	**The mindset required of middle managers in times of radical change**	**Implications to global leadership**
• Change implementation • Cultural change • Communication, involvement and motivation • Interface management and gate-keeping • Knowledge transfer and utilization • Involving the acquiring firm	• An experience at high pace • A context endowed with emotional ambiguity • Spearheading cultural change whilst transitioning toward the new culture oneself	• Domain expertise • Cooperative mindset • Assertive tolerance • Mutuality • Cultural and linguistic intelligence • Inner sense of resilience • Emotional intelligence	• Global leaders need to be capable of managing radical change. • Exposure to radical change, as change agents and change recipients, equips middle managers toward global leadership roles. • The ability to navigate the 'inner world of change' is central to mastering change and developing one's global leadership potential.