# Institutions and Organizational Socialization: Integrating Employees in Cross−Border Mergers and Acquisitions

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## *Abstract*

There is a consensus within the Merger and Acquisition (Mliterature that acquisitions fail during the integration phase, in large part due to neglect of social factors such as differences in rules, norms, and values across organizations. Thus, a crucial part of successful integration is whether firms can socialize employees effectively into the newly merged entity so that they learn accepted ways of behaving in that organization. This effect is exacerbated for cross−border M Yet, there is little theory and practical advice on how to successfully manage post−MAintegration. We draw on institutional and socialization theories to develop a framework that identifies the most salient institutions involved in the socialization of employees during the post−acquisition integration process and apply this model to the international dimension. We conclude by presenting managerial implications of our model and suggestions for future research.

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## Introduction

Mergers and Acquisitions (M&As) have been a major strategic tool for business growth and repositioning in recent decades (Anand, Capron, & Mitchell, 2005; Hitt, Harrison, & Ireland, 2001; Schweiger, 2002), yet they are often beset by problems during the integration phase (Capron & Pistre, 2002; Daniel, 1999; Hitt, et al., 2001; Kitching, 1967; 1973; Larson & Finkelstein, 1999; Marks & Mirvis, 2001; Shanley & Correa, 1992). Many of these problems trace to difficulties in effectively integrating the human side of merging organizations (Buono & Bowditch, 1989; Haspeslagh & Jemison, 1991), resulting, for example, from clashes between organizational cultures of merging organizations (DeVoge & Spreier, 1999; Marks, 1991; Morosini, 2004; Nahavandi & Malekzadeh, 1988; Overman, 1999; Weber & Schweiger, 1992), as well as national cultures in cross-border M&As (Belcher & Nail, 2001; Marks, 1991) especially during the post-merger period. Although these studies have generated numerous important findings, a challenging task is to extend this research to specify how organizational systems, values, and work processes become stabilized in newly merged organizations, and to do so in ways that are relevant to practitioners.

In this chapter, we develop a theoretical framework to help maximize effectiveness of the integration during post-acquisition.[1] We define integration as socio-cultural integration of groups of people (Gunter, Mendenhall, Pablo, & Javidan, 2005). There are a variety of factors that help create successful post-acquisition integration, with success defined according to different criteria, such as value creation for the acquiring firm or low stress level among acquired

[1] For the purposes of theory building, we focus exclusively on acquisitions as opposed to mergers, where the acquiring firm obtains ownership and control over the acquired firm. Depending on the literature we believe that this is legitimate to do since merger and acquisitions are seen as a whole and the terms used interchangeably most of the time (e.g., Child, Faulkner, and Pitkethly, 2001; Houghton, Anand, & Neck, 2003). Even though we discuss only one side of the medallion, our discussions might be very well extended to both sides albeit not attributing the same weight.

employees. However, perhaps the most difficult challenge in M&A integration is to minimize the negative effects that the acquisition process has for *acquired employees* (Buono & Bowditch, 1989; Marks & Mirvis, 2001; Schweiger & Walsh, 1990; Schweiger & DeNisi, 1991). We believe that effective socialization of the *acquired employees* is likely to result in a more successful post-acquisition integration. Thus, we focus primarily on how value can be created by understanding and managing the socialization process of *acquired employees* more effectively in the post-acquisition integration stage.

We conceptualize effective post-acquisition integrations as those that achieve an effective co-operation between acquiring and acquired employees, and explore what conditions enhance employee socialization. Our framework combines organizational socialization and institutional theory in the context of M&As by drawing on the phenomenological view of early institutional scholars who argued that socialization plays an important role in the institutionalization process (e.g., Barley & Tolbert, 1997; Berger & Luckmann, 1967). An important step in obtaining a better understanding of the social side of cross-border M&As is the inclusion of the agency role in structural theories (Emirbayer & Mische, 1998; Oliver, 1991), which allows institutions to act not only as constraints or enablers of certain forms of organizational action, but also to provide value by generating accepted ways of behavior in increasingly diverse and sometimes conflicting work groups.

By better understanding their roles, managers (i.e., agents) can implement different systems, practices and values to cope with organizational change more rapidly and thoroughly, thereby increasing the firm ability to make effective use of its structures and institutions (Eisenhardt, 1989; Forbes, 2005; Judge & Miller, 1991). Moreover, because social reality is the product of human construction and social interaction among individuals, socialization entails the construction of common meaning systems and shared knowledge. Our approach to these systems and knowledge is in terms of 'institutions.' Following Berger and Luckmann (1967), we suggest that the culmination of socialization is when socially constructed reality and institutions are internalized to such a degree that then they become institutionalized.

While we rely on the earlier view of socialization as a mechanism of institutions and institutionalization, our discussion in this study will be on the other side of socialization process that is on the "domains" or "content," in other words, on "what is being learned" during the organizational socialization and what this means in terms of institutions and institutionalization.[2] In this sense, we draw on the three pillars of institutional theory—regulative, normative and cognitive (Scott, 2001)—to explain the enhancement of integration effectiveness through six domains of organizational socialization—individual work roles, organizational goals and values, people, language, organizational politics, and organizational history (Chao, O'Leary-Kelly, Wolf, Klein, & Gardner, 1994).

**Objectives and Expected Contributions**

The goal of this chapter is to explain post-M&A integration first as an ideal type (which allows us to develop the conceptual framework), and then apply this framework to cross-border M&A. The first part, or our propositions, evaluates each socialization domain in relation to the three institutional pillars. Our assumption is that as the merging firms understand such relationship, the integration of both organizations will be more effective. For acquiring firms, such understanding means an easier 'replication' (Barley & Tolbert, 1997) of its institutions in the merged firm and 'imposition' of its values, rules, and norms on the newly acquired employees. We believe that learning about one of the socialization domains—such as

[2] Depending on the literature, we present our perception of the organizational socialization process in Figure 1. We discuss the relationships drawn in the Figure 1 in the organizational socialization literature review section.

organizational jargon and slang, power structures, formal and informal goals and values etc.—relates to one of the institutional pillars, which in itself symbolizes a different way of behaving, interpreting, coding or rewarding. In a word, learning about one domain means more than learning that domain in absolute terms since it will be internalized differently under various institutional pillars. As acquiring and acquired firms acknowledge this relationship, they might integrate their employees in the merged entity faster and more effectively by choosing the most productive strategic tools and human resource management practices that achieve the best employee socialization.

Although socialization occurs regardless of whether there are policies and practices designed to aid it, guidance by management can be critical for organizational success in order to maintain and lead organizational norms, characteristics and togetherness (Ahuja & Galvin, 2003). That is, integration effectiveness is a function of the speed by which socialization can be accomplished for the majority of employees in an acquisition, with M&A integration more effective the more quickly the process is completed (Schweiger, 2002). The implication is that firms that socialize employees into the newly merged organization more rapidly are likely to reap numerous benefits.

There are a number of roadblocks to effective socialization in acquisition integration, assuming that merging firms require a medium to high level of integration to effectively pursue the goals of the M&A. Managers are often ambiguous during the acquisition process (Jemison & Sitkin, 1986), thereby increasing the complexity of post-acquisition integration. In addition, the integration process involves changes in the organizational practices and structures, and demands some degree of co-operation between the two firms to develop the necessary joint firm capabilities (Cartwright & Cooper, 1992). This ambiguity is sometimes reduced because the acquiring firm in an M&A is typically more dominant than the acquired firm, and uses its power to transform the newly merged organization during the integration stage (Bower, 2001; Haspeslagh & Jemison, 1991; Schuler, Jackson, & Luo, 2004; Schweiger, 2002). For example, Pablo (1994: 806) notes that “change is frequently one-sided, occurring primarily within the acquired organization.” Because M&As are rarely mergers of equals (i.e., one firm is usually dominant) (e.g., Carey, Ogden, & Roland, 2004; Weston, Siu, & Johnson, 2001), in constructing our framework, we focus on how acquiring firms can more effectively integrate acquired employees.

Our proposed theoretical model makes several contributions to existing research. First, we respond to Scott’s (2001) call for the need to give more attention to how the three institutional types (pillars) are distinct from each other. We do so by identifying what types of institutions are most salient and likely to be internalized in each socialization domain. This is important because integration managers, as key decision-makers, will give different weight to available information in making their integration decisions (Duhaime & Schwenk, 1985; Stalhl & Zimmerer, 1984). Second, we assess the ‘value’ of human resources of the merging organizations relative to the entire M&A deal. Indeed, following an M&A, uncertainty raises in the organizational environment and employees experience anxiety regarding their future (e.g., Buono & Bowditch, 1989; Larsson & Finkelstein, 1999; Marks & Mirvis, 1986; Schweiger et al., 1993; Schweiger & Denisi, 1991). Consequently, employees will seek to gain information about the transforming issues in their organization. If the organization is not sensitive to this uncertainty and anxiety, then it is likely to experience a loss of some valuable firm human capital.

In effect, as Stanwick & Stanwick (2001) highlight the value merging organizations attach to each other is closely related to the skills and knowledge the other organization's employees possess. In this regard, if merging firms are not capable of keeping at least their best performing employees, then the premium value attached to the entire merger is overestimated. We assume that most merging organizations will not want to lose what is most valuable to them due to the merging uncertainty and therefore they will seek ways to reduce employees' anxiety in the new organization. It is also critical, during the post-M&A integration, to understand what kind of information and knowledge merging employees are looking for and how this information seeking might affect their behavior and attitudes toward the new organization so that they will be willing to stay in the new firm. While various studies on M&As discuss these issues from different point of views, our focus will be on the perspective of organizational socialization of acquired employees. In addition, even though as mentioned, we focus on 'absorption', our framework might be easily applied to other contexts involving change and in turn requiring socialization such as joint ventures.

Third, at the theoretical level we integrate two literatures that have been disconnected, in part because institutional studies take the organization as the level of analysis, and socialization studies take the individual as the level of analysis. In contrast, we agree that organizational socialization, as a mechanism, helps institutions perform and reproduce. However, by looking at what type of institution is internalized within each socialization domain, we bridge both levels of analysis while examining a different aspect of socialization process, i.e., domains, in addition to seeing it only as a mechanism. Instead of focusing on socialization and institutionalization processes as pure mechanisms, we focus on the link between what is being institutionalized (i.e., regulative, normative and cognitive institutions) and what is being learned through socialization (i.e., socialization domains or content). Fourth, we shed additional light on the M&A integration process by focusing not only on the human side of the equation, but also by looking at the process from the social interaction point of view with socialization theory.

The rest of this chapter is designed as follows. We begin by discussing structural and institutional concepts in the M&A context. Second, we describe organizational socialization, highlighting key concepts and specifying the importance of the socialization process in the post-acquisition integration stage. Third, we develop systematic theoretical links between organizational socialization domains and the pillars of institutionalism in the context of acquisition integration. Finally, we discuss how our framework can be modified to capture the additional complexity arising in cross-border M&As, and provide practical implications on how integration managers can implement our proposed model.

## STRUCTURES, INSTITUTIONS AND THE M&A CONTEXT

Institutions are typically defined as "multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources" (Scott, 2001), with the central ingredients of institutions being rules, norms, and beliefs. Tensions between environments and institutions can arise as environments are transformed, as in the case of technological innovations, or when different organizational environments interact, as in the case of M&As. Because M&As involve more than taking control of hard firm assets in that they require the combination of two organizations with unique histories, practices and leaders (Daniel, 1999; Marks, 1991), when two organizations merge they are likely to face new rules, new norms and new beliefs (i.e., institutions with which they might not be familiar with). A key challenge, then, lies in the integration of various structures, processes and cultures (Aguilera & Dencker, 2004; Daniel, 1999; Schuler & Jackson, 2001). Furthermore, Strebel (2004) argues that when a merger takes place the managers of the joining companies tend to asses the other side on the basis of ‘clichés’ rather than on the basis of institutions (i.e., the explicit organizational relationships). However, as he emphasizes, it is important to go beyond these clichés in that the merging organizations should understand the institutional side of each others’ organizational culture as well as how these institutions interact with values, beliefs and behavior for a better integration.

We develop our integration logic around the type of acquisition that will require full consolidation of operations, organizational practices and culture of both entities, that is, an absorption acquisition. According to Haspeslagh & Jemison (1991), absorption acquisitions are “those in which the strategic task requires a high degree of interdependence to create the value expected but has a low need for organizational autonomy to achieve that interdependence” (p. 147). Integration of this type of M&A will, therefore, imply that the acquiring firm will seek to transfer and implement most of its practices into the acquired firm (Schweiger & Walsh, 1990; Pablo, 1994). We propose that the transfer and internalization of new practices by the employees in the acquired firm is done through a socialization process.

**Institutional Pillars**

Regardless of institutional level, “the institutionalization of practices and behavioral patterns depends on how long an institution has been around as well as how widely and deeply it is accepted by the members of a collective” (Barley & Tolbert, 1997:100). Once institutionalized, institutions are taken for granted (cognitive), supported by the public (normative) or enforced by law (regulative). These are the three pillars of institutions (Scott, 2001) that we conceive of as a continuum ranging from rigid approaches to subtle interventions. Our theory development (propositions section) will focus on these three types of institutions and explain their relationship with organizational socialization domains.

The *Regulative* institutional pillar represents the rules and the laws of the institutional environment (Kostova & Roth, 2002). Regulative institutions directly relate to "rule-setting," "monitoring," and "sanctioning" activities in an organization (Scott, 1998, 2001) such as laws stating which behaviors are allowed (Palmer & Biggart, 2002). Power, coercion and authority play an important role in the enactment of regulative institutions. Since regulative institutions reflect "rules," "regulations," or "formal rules," failing to obey them results in legal sanctioning.

The *Normative* institutional pillar refers to values, beliefs, norms and assumptions existing in the institutional environment (Kostova & Roth, 2002) that captures prescriptive, evaluative and obligatory dimensions in social life (Scott, 2001) and provides structures regarding acceptable behavior (Palmer & Biggart, 2002). Normative institutions encompass "rules-of-thumb, standards, operating procedures, occupational standards and educational curricula" (Hoffman, 1999), and are based on social interactions and obligatory parts of these interactions (Wicks, 2001). They comprise values (proper ways) and norms (ways that are supposed to be followed) (Scott, 1998, 2001). Their ability to influence employees and firm behavior comes from seeking conformity, enforcing social obligation, social necessity, and shared understandings of what is proper in the organization (Palmer & Biggart, 2002; Wicks, 2001).

The *Cognitive* institutional pillar refers to widely shared social knowledge and cognitive categories such as stereotypes and schemata (Markus & Zajonk, 1985) that represent the models of "individual behavior based on subjectively constructed rules and meanings that dictate appropriate thought, feeling and action" (Wicks, 2001:665). Cognitive institutions embody "symbols-words, signs, and gestures—as well as cultural rules and frameworks that guide understanding of the nature of reality and the frames through which that meaning is developed" (Hoffman, 1999: 353) that are reproduced through mimetic processes (i.e., through mimicry of successful practices or implementations of others) (Palmer & Biggart, 2002). Compliance with cognitive components of the institutional environment occurs because of "taken for granted" traits of routines (Scott, 2001). Organizations and organizational members follow these cognitive institutions without any conscious thought (Zucker, 1983).

**Internalization of Institutions**

It is important to differentiate among these three types of institutional pillars because as Scott (2001: 52) points out, they move from the conscious to the unconscious, and from being legally sanctioned to being taken-for-granted. Hence, in the context of M&A integration, if managers know that a given socialization domain entails predominantly the internalization of cognitive institutions, then these managers can develop and implement the necessary socialization tactics to ensure an effective socialization that it is likely to lead to effective M&A integration. In other words, integration managers can develop an ability to engage in the socialization process through obtaining knowledge about the salient institutions in this context.

We focus primarily on institutions that exist at the organizational level, and examine how individuals (employees) internalize these institutions first in the context of domestic M&As, and then in cross-border M&As. Recent approaches argue that institutions surrounding an organization operate at three levels: organizational, industry (inter-organizational), and national (Scott, 2001). Although national and industry level institutions influence organizational level institutions, organizational institutions are absorbed and diffused in an organization and become unique over time (Morosini et al., 1998; Zucker, 1987).

Similarly, even though routines and repertoires implemented by an organization co-evolve with that organization's history and institutional environment, such co-evolution fabricates a unique and firm-specific set of routines and repertories (Barney, 1986; Collis, 1991;

Morosini, 1999). For example, the interaction between a focal organization and other organizations in its industry or country may lead to similar patterns of institutions across a number of organizations, yet relationships between a focal organization and foreign industry competitors can trigger the development of unique sets of routines and repertories within specific organizations (Collis, 1991; Morosini et al., 1998). These unique set of routines might be difficult to imitate by other firms since they did not experience the same pattern of development nor had access to the similar institutional environment. In M&As, then, access to and appreciation of such uniqueness is likely to bring competitive advantage to the merging organizations because the organization does not need to forecast future valuable routines and repertories that are not immediately available to a firm (Morosini, 1999).

In terms of understanding why the employee information shared during an M&A overlaps with certain institutions, we suggest that socialization is one of the mechanisms by which institutions are internalized in an organization. Checkel (2005), although he refers to the socialization of nations, argues that compliance of socialization depends on the internalization of new rules and institutions. The shift to internalization occurs whenever there is 'change,' and at this point, socialization starts triggered by different mechanisms (i.e., strategic calculation, role plating, and normative suasion) (Checkel, 2005). This argument is also applicable to organizational level socialization.

Furthermore, as a result of organizational socialization process, employees in an organization are channeled to think and behave similarly (Ostroff & Rothausen, 1997; Schneider, 1987). Equally, institutions in an organization reinforce related values and behaviors (Strebel, 2004). Therefore, the fit between organizational socialization and institutional theory helps us to recognize the synergies in the underlying integration M&A processes. In addition, Morosini

(1999) argues that following a merger, “social fabric” of the merging organizations suffers seriously. How to build ‘common glue’ or ‘connective tissue’ between these organizations is the only answer if these merging firms want to create value.

In order to create such the social glue or fabric, it is important for the merging sides to understand each other’s values, goals and practices. We believe that understanding the link between socialization and institutional theory in the M&A context provides such ‘glue.’ In sum, understanding institutions helps both merging firms to know better the ‘social fabric’ of the joining organizations which is crucial for a successful integration. Following this logic, we develop our propositions, which explore the relationships between organizational socialization domains and institutional pillars. In other words, we argue that as the acquired firms’ employees socialize in their work roles, organizational values, etc. (i.e., socialization domains), they internalize the different institutions—regulative, cognitive or normative—of the acquiring firm. Before we analyze the relationship between domains and institutions, we discuss the overall organizational socialization process and its place in M&A context.

## ORGANIZATIONAL SOCIALIZATION PROCESS

Socialization is the process by which people learn to cope with social norms (Berger & Luckmann, 1967; Parsons, 1959). In organizations, socialization involves the acquisition of social knowledge and skills necessary to assume an organizational role (Fisher, 1986; Van Maanen & Schein, 1979). When individuals enter into an organization, they reevaluate their assumptions while seeking information to decrease uncertainty and anxiety, and easing these *negative feelings* is their main goal (Ashforth & Saks, 1996; Jones, 1986; Louis, 1980; Miller & Jablin, 1991; Van Maanen & Schein, 1979). Organizational socialization therefore facilitates the adjustment of newcomers to organizations (Ashforth & Saks, 1996) because upon entering into an organization, employees tend have less information, and organizational socialization helps to shape (mold) employees' attitudes and behaviors in the organization's desired way (Allen & Meyer, 1990). More importantly, organizational socialization ensures that organizational values and norms are continuously transmitted and maintained (Bauer, Morrison, & Callister, 1998; Chow, 2002; Evans, Pucik, & Barsoux, 2002; Fogarthy & Dirsmith, 2001).

Earlier perspectives on organizational socialization emphasize a reactive role of newcomers while more recent perspectives agree that newcomers have a proactive role (i.e., information seeking) (Ashforth & Saks, 1997; Hsiung & Hsieh, 2003; Morrison, 1993a); Thomas & Anderson, 2002). As Ashforth & Saks (1996) explain, the newcomers are distressed about getting information and they are open (and vulnerable) to being influenced. Such worrisome leads them to acquire information about their roles as well as about the organization through various ways whether their organization provides the information or not in a structured way (Miller & Jablin, 1991). This situation makes organizational socialization more complex since newcomers' learning might be directed not only by the organization but also by other sources (i.e., co-workers, staff, social activities, etc.) inside the organization. As a result, organizations need to be careful about the multiple sources as well as what kind of information these sources might provide to their employees.

In considering these key characteristics of the socialization process, we discuss three main parts of organizational socialization: tactics, practices and the domains, although our main emphasis is on socialization domains since our propositions seek to understand the relationship between "what is being learned" during socialization (i.e., domains) and the institutional pillars. The other two dimensions of the socialization process, tactics and practices, are included in our discussion, albeit not as a central driver, because organizational socialization draws mainly on these two dimensions when its role as a mechanism of the institutionalization is considered. These practices and tactics are also combined with domains and institutional pillars in the cross-border M&A section. Because in the literature, organizational socialization mostly refers to the adoption of *newcomers* to new environments, we discuss why we believe that the organizational socialization process is relevant in the M&As context for the employees of the merging organization who are actually different from newcomers.

**Socialization Tactics, Practices, and Domains**

The socialization process has been conceptualized in terms of socialization tactics, practices, and domains, as synthesized in Figure 1. The main difference between socialization *tactics* and *practices* is that the former describes the general organizational attitude regarding the socialization process while the latter refers to the actual ways organizations use to bring newcomers on track. Ashforth & Saks (1996:151) note that "institutionalized tactics reflect a more structured program of socialization while individualized tactics might occur by default rather than design." In other words, socialization tactics are like the 'ideology' or general orientation of organizations about the socialization process, whereas practices define the mechanisms this ideology is implemented in organizations. Organizations utilize socialization tactics to structure the socialization experiences of their individual actors (Ashforth & Saks, 1996). Certain organizational socialization tactics affect positively individual level outcomes such as intentions to quit, organizational commitment, job satisfaction, and role orientation, while other tactics affect such individual level outcomes negatively (e.g., Ashforth & Saks, 1997; Jones, 1986). Similarly, some organizational socialization practices (i.e., orientation, training, mentor, peers/co-workers) are found to be more effective than others in terms of affecting individual level attitudes and behaviors (e.g., Louis et al., 1980; Ostroff & Kozlowski , 1992)

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Insert Figure 1 about here

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Organizational socialization tactics are reflected in daily organizational life through organizational socialization practices (Louis, Posner, & Powell, 1983). Chao et al. (1994) specify that learning content, or socialization domains, clarifies the link between organizational socialization tactics and attitudinal outcomes. Socialization tactics and practices help individuals learn *how* to become members of an organization. *What* is learned through these tactics are the organizational socialization domains. Socialization domains refer to the various aspects of the organization with which individual actors need to be familiar. It has been supported that the content of the information acquired by newcomers is positively related to job satisfaction, organizational commitment, intentions to quit, and stress (e.g., Chao et al., 1994; Ostroff & Kozlowski, 1992; Thomas & Anderson, 2002). We draw on Chao et al.'s (1994) typology of six key organizational socialization domains: Individual Work Roles, Organizational Values and Goals, People, Language, Organizational Politics and Organizational History, which are summarized in Figure 1 and discussed in detail in our framework below.

In general, individual actors (employees) must master each socialization domain in order to become effective organizational members (Feldman, 1981; Fisher, 1986; Kraimer, 1997; Schein, 1968). For example, research has shown that organizational members who acquire more knowledge of organizational domains through various socialization tactics and practices tend to be more adjusted to the organization and display higher positive attitudes (Kraimer, 1997).

**M&As and the Socialization Process**

Even though there is no prior research applying the organizational socialization process to the M&As context, we propose that the following characteristics of organizational socialization and M&As context show that the socialization process is important in organizational change efforts, such as during an (absorption) M&A, because it helps reduce the ambiguity created in this process. Organizational socialization tactics and practices are relevant in M&As, particularly during due diligence (pre-announcement) and in the announcement to completion stage of a merger, in no small part because the socialization process is a 'continuous' process. In the due-diligence stage, information about the potential merger is normally limited to top-level executives and managers. As negotiations become more serious, information usually spreads to lower levels in the organization. At this point, employees of the merging organizations start thinking about the possible positive or negative changes and consequences that might occur to them as a result of the merger, a stage that can be called anticipatory socialization. The idea here is that not everything to be learned is new: employees will have a knowledge base and will build on it.

The merger process involves the combination of two organizations in order to effectively create a new organization in which none of the predecessor organizations are fully dominant (Shapiro, 1992). An M&A, hence, neither implies a full change in prior group membership nor a full continuation to it (Van Knippenberg et al., 2002). Unlike the newcomers, the employees of the new organization will carry over their former beliefs and values while learning new ones. Therefore, how these members will be integrated into the newly merged organization is vital since the perception of employees about the merged organization will be different from what the newcomers experience (van Knippenberg et al., 2002).

Once a M&A is announced, employees seek to learn about their roles, but aside from planned systems and practices, the ultimate nature of these practices will not be fully understood until the M&A integration stage. This 'major passage' nevertheless communicates to acquired employees that they will need to socialize new rules and ways of behaving since employees in different organizations likely have substantially "different orientations to one another, their roles and organizational mission," with the "process of leaving an old situation" influencing the "process of entering the new situation" (Louis, 1980:864-865).

The socialization process, particularly as it relates to socialization domains, is relevant during the M&A integration phase (Haspeslagh & Jemison, 1991; Child, Faulkner & Pitkethly, 2001; Schweiger, 2002), because it highlights the norms, values and rules that employees must learn. In other words, it specifies *what* institutions acquired employees internalize. We suggest that the "what" or "the kind of information acquired" will vary depending on the institutions internalized in each domain, and hence we propose to identify the different types of institutions involved in each socialization domain. Hence, understanding whether the rule or value to be learned is learned through the internalization of regulative institutions as opposed to cognitive institutions has important consequences for how integration managers should help acquired employees to learn the new rules and practices in the newly merged entity. In the next section, we provide the logic for the salience of specific institutions in each relevant socialization domain.

## INSTITUTIONAL PILLARS AND SOCIALIZATION DOMAINS IN THE CONTEXT OF M&AS

Organizational socialization is a dynamic process in which individual actors and organizations change over time (Fisher, 1986). This trait helps an organization to accommodate changing institutional rules, and affords an organization the chance to adapt and transform its structure without disturbing the inertia it has created. From this angle, organizational socialization provides continuous isomorphism to the institutional environment.

Socialization is seen as a main mechanism that facilitates the internalization of institutions by the earlier institutional views (e.g., Barley & Tolbert, 1997; Berger & Luckmann, 1967). Since organizational socialization ensures the continuity of organizational norms and values, it helps to internalize institutions into the organizational structure over the time (Fogarty & Dirsmith, 2001; Inzerille & Rosen, 1983; Meek, 1988). The socialization process ensures that existing institutional rules shaping organizational structure are diffused repeatedly. For merging organizations, the importance of this step comes from realizing that institutions —namely values, belief, norms and rules—that are part of an organization's institutional environment (internal or external) are transferred and internalized through the organizational socialization process. Hence, utilizing and understanding the organizational socialization process as a mechanism of institutionalization while considering the type of institutions involved in each socialization domain will help acquiring organizations integrate employees of acquired organizations more effectively. As pointed out, the focus of our study is on the effect of the relationship between types of institutions and socialization domains on the M&As' integration effectiveness.

In M&A integration, employees in merging organizations need to learn rules, values, norms and standards that shape organizational structures and practices (Morosini et al., 1998). Through socialization, rules, principles, standards and values become increasingly internalized into the organizational structure of the merged organization (Fogarthy & Dirsmith, 2001). In our framework, this process entails the transmission of institutions from the acquiring firm by acquired firms' employees through organizational socialization. Instead of the pure transmission process, we are interested in explaining the substance it i.e., institutional pillars and organizational socialization domains.

In the next section, we identify the dominant institutional pillar/s that tend to be internalized in each of the six socialization domains (see Table 1). We evaluate whether learning about socialization domains means internalization of a specific institutional pillar. The relationships we recommend between a particular socialization domain and an institutional pillar are perceived as the ideal-types for more effective M&A integration. When developing the proposed relationships between domains and institutional pillars, we have first focused on the explicit and implicit nature of the information gained thorough socialization process. While it might be easier for explicit or technical knowledge (e.g., regulative institutions), to be documented and made available, the social information is more ambiguous and informal in nature (e.g., normative and cognitive institutions), they are harder to code through written means (Ahuja & Galvin, 2001; Morrison, 1993a). Second, we have considered the degree of sanctioning in case of incompliance with a certain rule or institution while establishing the links between domains and three pillars. Drawing on previous literature, Hart & Miller (2005: 297) note that "informal initiations and rituals" are not punished by management during socialization of a newcomer. Moreover, Morrison (1993a: 559) mentions that newcomers seek for information about expected behaviors and attitudes, which are referred as *normative* information by her, in their job and organization. Similar to these arguments, our logic of differentiating between the types of institutions comes from the difference between direct and definite as opposed to indirect and possible sanctions that might be forced on the employees in relation to a specific socialization domain. Overall, if a domain has formally defined characteristics then we argue that it helps more to the internalization of regulative institutions while domains with informal substance, we believe, are related more to the internalization of normative or cognitive institutions. The differentiation between normative and cognitive institutions come from their definitions. We have basically paid attention to the morally sanctioning characteristics of the domain as opposed to being taken-for-granted.

Even though we do not claim that institutional pillars are mutually exclusive, we assume for the sake of theoretical clarity that some institutional types (pillars) will be more salient in a given socialization domain than others. Being aware of what type of institutions are internalized therefore sheds light into the socialization process and will allow for a more effective M&A integration as we discuss in the managerial implications.

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Insert Table 1 about here

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**Individual Work Roles**

The first socialization domain, 'individual work roles,' indicates that individual actors need to learn how to perform tasks on the job (Chao et al., 1994; Fisher, 1986). This domain has been divided into job characteristics (what is to be done), and job processes (how it should be done) (Van Maanen & Schein, 1979). Job characteristics are often designed and formalized by human resource managers in the firm. During socialization process the employees have to be given instructions, explanations and guidance in order to help their adjustment to their organization (e.g., Louis, 1980; Ostroff & Kozlowski, 1992; Saks & Ashforth, 1997). Especially at earlier stages, employees will need detailed information on what their job entails and how they should perform it (e.g., Ostroff & Kozlowski, 1992). In many organizations, human resource managers define jobs in terms of their skill requirements, and create formal performance management systems and pay structures that are specific to certain jobs (Gerhart & Rynes, 2003). Job processes, by contrast, involve on-the-job learning of effective ways to accomplish work tasks.

Job descriptions, requirements, and characteristics will need to be explicitly made known to acquired employees. Even though they discuss it for teams, Ahuja & Galvin (2001) mention that the information about tasks that is 'technical' in nature should be made explicit and available though documentation or training to all employees, who are members of a group, during socialization process. In return, all employees are obliged to follow what is involved in their job description.

Since formal job characteristics vary across organizations, newly merged organizations need to provide formal guidelines about the requirements of individual roles and tasks during the M&A integration process. For example, if a job has been defined according to certain educational requirements (e.g., a mechanical engineering degree), and has specific rules governing performance evaluation and reward systems, these requirements and the consequences of not meeting them will need to be made known not only to acquired employees who may occupy such jobs, but also to employees who will be filling future job vacancies and to those managers evaluating and rewarding employees who occupy the positions. In this case, the socialization of individual work role domains will involve the internalization of regulative institutions by acquired employees (Scott, 1998, 2001). Therefore, in the context of M&A integration, this socialization domain is likely to be more effectively learned by acquired employees when managers know that some of the institutions being internalized are regulative, and consequently set the right strategies in place to achieve the socialization of this domain. In order words, learning about job characteristics imply internalization of regulative institutions of the acquiring firm since there will be organizational measures taken formally against failure to comply with these characteristics. Hence, we propose:

*Proposition 1a: As acquired employees are socialized in terms of formal job* *characteristics of individual work roles, they internalize regulative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

Learning about job processes, such as how to deal with a job crisis, is often accomplished through advice from peers, supervisors, mentors, and on-the-job learning (e.g., Morrison, 1993a; Ostroff & Kozlowski, 1992). That is, although characteristics of a job are formally defined and governed by rules of an organization, how each job is to be performed by an employee is based on norms specific to the organization, and perhaps the work group within the organization. Work norms in some work groups will encourage an open-door-approach, with employees able to solicit just-in-time advice from their peers. By contrast, work norms in other work groups may promote tasks to be performed primarily by the individual due to the confidentiality or the knowledge-specificity of the job task.

The integration of job processes in M&A integration process therefore relates to the internalization of normative institutions that are not necessarily coercive rules but that involve binding expectations on how employees should learn about the job processes. This implies that firms need to specify and transfer normative institutions surrounding the employees' job position in the new organization. For example, while learning the job responsibilities in the newly merged organization, employees of the acquired firm will need to recognize what constitutes respectful behavior, whether they need to be experts or problem solvers, and how they should evaluate and deal with uncertain situations. Following this logic, we argue that M&A integration is more effective when integration managers are aware that employee knowledge of job processes (or socialization domain) also entails employees' understanding of what is appropriate (normative institutions). Hence, by increasing their awareness of this aspect of integration, integration managers can set up the necessary mechanisms that help internalization of such normative institutions. In other words, normative information meaning what is being accepted and valued and what behaviors are normal are being learned (Ahuja & Galvin, 2001). Hence, we propose:

*Proposition 1b: As acquired employees are socialized in terms of job processes of individual work roles, they internalize normative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

It is also worthwhile to discuss the institutional pillars that we do not see as predominant within a given socialization domain. In the individual work roles domain, we do not suggest a relationship between individual work roles and the cognitive institutional pillar because we believe that individual roles related to organizational tasks are seldom taken for granted or learned without any formal or socially enforced framework. Work roles are explicitly codified by the organization or defined by the profession in which work roles are exercised. As a result, employees are expected to follow them to a certain degree. Finally, we also know that individual work roles are constructed and communicated to acquired employees through different organizational mechanisms, such as training, orientation, co-workers etc. that we will discuss in the managerial implications section.

**Organizational Goals and Values**

The second socialization domain, "organizational goals and values," refers to the institutions that maintain the integrity of organizations (Schein, 1968). Organizational goals and values are divided into two different categories: formal rules and principles; and unwritten, informal and tacit rules and principles (Chao et al., 1994). Formal rules are written codes and regulations that guide employee behavior such as a mission statement or a code of ethics. They can be formal rules relating to the integrity of the acquiring organization, or socially defined principles of what the acquiring organization represents. For example, an acquiring firm in the electronics industry is likely to have some rules about minimum quality standards or complying with ISO9000. By contrast, unwritten, informal, tacit rules and principles reflect taken-for-granted behavior and action among employees in a given organization (Fisher, 1986). For example, acquiring employees know that they should not engage in certain practices simply because such behavior and action is not done in that firm. This knowledge is embedded in a firm's history.

We suggest that the socialization of formal rules in a new organization will require the internalization of regulative institutions by acquired employees since formal rules are sanctioned by organizations and organizations expect these rules to be followed carefully. Thus, the acquiring organization needs to ensure that acquired employees will follow and understand these formally specified organizational goals and values. In particular, organizational members are explicitly required to learn and know the formal rules and principles of the newly merged organization because they are general firm laws or standard rules. For example, if the codified definition of "what fair business practices" are differs between merging organizations, the newly merged organization will need to use a regulative institution to define expediently what a fair business practice is and to specify the reprimands faced from its violation. Or, if an acquiring investment brokerage firm explicitly prohibits "churning," while the acquired firm has no such formal policies, acquired employees will need to be informed and held accountable that such behavior is not allowed, and can result in sanctions such as termination of the employment contract. Following this logic, we propose that when integration managers are aware of the type of institution that needs to be internalized at each socialization domain, they are more likely to design and implement the integration strategies and practices leading to a more effective M&A

integration process. In case of formal organizational values and norms, the institutional pillar that will be internalized consists of regulative ones. Hence, we propose:

*Proposition 2a: As acquired employees are socialized in terms of formal rules relating to organizational goals and values, they internalize regulative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

The second component of organizational goals and values, unwritten, informal, and tacit rules, is learned via the emulation of others in the newly merged organization. While some of these informal rules might be learned without any conscious recognition, some of them are socially forced. Morrison (1993b) mentions newcomers, as they learn about organizational goals and values, also seek for feedback about how their social behaviors are socially perceived. Such feedback seeking behavior supports the possibility of moral sanctioning in relation to organizational goals and values. Moreover, socially defined principles of an organization laid out, for example, in mission statements, relate to the internalization of normative institutions. These are principles stating accepted social behavior that is sanctioned not by specific rules, but rather by socially accepted norms. Norms governing what constitutes proper employee behavior will be internalized through employee interaction, and can be made salient through social sanctions of improper behavior. Thus, as acquired employees learn about these principles and procedures then they internalize normative institutions.

We propose that these particular organizational goals and values are likely to mean internalization of cognitive and normative institutions as opposed to regulative institutions. The employee adoption of these norms and values cannot be achieved through regulative institutions because they are unwritten and tacit which makes them harder to codify. As a result, employees are expected to comply with them to a degree but they are not sanctioned through formal means for incompliance. As Louis (1980) argues, norms and assumptions in an organization emerge interactively and are performed rather than explicitly recognized. Moreover, they are less likely to mean internalization of normative institutions because unwritten goals and values reflect certain procedures and standards that are the result of social interaction. For instance, the supervisor-subordinate relationship towards achieving organizational goals might differ across organizations. The determining features of such a relationship would probably not be written in any document or codified, nor would they involve social sanctions because it is a dyadic relationship on how to behave according to organizational goals and values. Instead, these goals and values that are shared between a supervisor-subordinate would most likely be learned cognitively over time. We argue that in the M&A integration process, the socialization of informal organizational goals and values also mean internalization via cognitive institutions. Knowing the main institutional pillar involved in the socialization domain can help integration managers to more effectively socialize acquired employees, particularly in absorptive M&As, as opposed to seeking socialization through writing what usually is unwritten code. Hence, we propose:

*Proposition 2b: As acquired employees are socialized in terms of unwritten, informal, tacit rules and principles relating to organizational goals and values, they internalize cognitive and normative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

**People**

The third socialization domain, "people," is defined as learning about the work groups with which the individual actors interact (Fisher, 1986). It underscores becoming familiarized with informal work relationships among employees as well as the structurally defined employee relationships within the organization (Chao et al., 1994).

Learning about informal relationships includes interaction with other employees, learning about relevant norms and values as well as 'work group's normative structure (Ostroff & Kozlowski, 1992:852). Informal employee relationships will occur through daily organizational life without formal intervention by the organization. Acquired employees will likely learn the nature of different types of social networks over time, such as to whom they can turn to for task advice, and with whom they can form friendship ties. Interaction with co-workers has been found to provide important information particularly about group domain in the literature (e.g., Miller & Jablin, 1991; Ostroff & Kozlowski, 1992). Because such traits will be taken for granted and will be accepted as they are, without much questioning, understanding informal social networks among employees in the acquiring firm, we believe, will involve the internalization of cognitive institutions. Most of the time, organizational members will assimilate this knowledge without even recognizing it. For example, characteristics such as whether co-workers are fair, responsible, and timely in their decisions will be learned over time during the M&A integration process as employees address various organizational challenges and perform every-day tasks.

The socialization of people's informal relationships is not related to regulative institutions because it is not imposed on the newcomer through formal mechanisms, nor does it relate to normative institutions because their assimilation has nothing to do with accepted norms or standards resulting from social interaction, and socially accepted behavior. Employees will self select whom they see as the helpful source to get information about group dynamics and other related issues. Then, they internalize such knowledge either by learning from co-workers or through observation overtime without any official enforcement. Hence, we propose:

*Proposition 3a: As acquired employees are socialized in terms of informal relationships, they internalize cognitive institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

The second component of the "people" socialization domain, learning about the structurally defined organizational relationships of organizational members, entails knowing how jobs in the acquiring organization are linked, both horizontally and vertically. These relationships among positions in an organization will be explicitly defined and communicated to employees in the newly merged organization. They therefore can be considered as requiring the adoption of formal rules and regulations. That is, employees will be expected to follow the formal structure during the everyday functioning of the newly merged organization, such as knowing the reporting relationships associated with certain jobs, respecting others due their position in the organization, etc. Thus, this component of the people domain will entail internalization of regulative institutions because they are introduced to organizational members in order for them to follow and function according to the new organizational relationships which at the same time introduce the formal hierarchical structure of the organization.

The socialization of the structurally defined relationships of organizational members in the newly merged organization relates neither to the internalization of cognitive institutions nor to normative institutions, since this learning is not left to the discretion of organizational members, and does not reflect social norms or procedures of the organization. Employees in the newly merged organization will immediately need to learn to whom they need to report, with whom they will work and who will be accountable to them. In addition, employees will learn their boundaries of responsibilities as well as those of others. Since most of these responsibilities are formally defined and determined, they will have to be learned in the detail required by the acquiring organization. We propose that integration managers seeking to socialize acquired employees in the structurally defined relationships of the newly merged entity will be more effective when they consider the regulative institutions that are internalized at the same time. Hence, we propose:

*Proposition 3b: As acquired employees are socialized in terms of structurally defined organizational relationships relating to people's work characteristics, they internalize regulative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

**Language**

The fourth socialization domain, "language," refers to the communication tools needed to transfer and acquire the necessary information to perform a job task. Language as a socialization domain has two dimensions: learning the technical language that is necessary to perform a task (Chao et al., 1994), and becoming familiar with a given organization's slang and jargon. The first component is often related to learning technical language specific to a given profession. Although technical language is common to employees across organizations, as it is universally accepted within professions, there can be differences in certain organizations due to broader organizational cultural differences. For example, if a Japanese automobile firm acquired an organization from another country, the Japanese firm would want the acquired employees to understand technical language such as "Kanban," "just in time," and "quality circles," which might not be common in the acquired firm.

We suggest that culturally specific language that needs to be learned by the acquired employees during the M&A integration process is largely related to the internalization of normative institutions, although there may be a cognitive component if language is not essential to performing effectively. For example, if a British printed news firm acquires a U.S. firm, there might be slight differences in technical language. In some instances, these differences will be minor, such as using an "s" rather than a "z" in written communication which can be quickly learned. Eventually, the language of the acquiring firm will become taken-for-granted as acquired employees are exposed to the language differences, and realize that a single language form is accepted. Normative sanctions can still be applied to assist in institutionalizing acquired employees, such as through the use of humor, in cases where it is important that language be similar, as might occur when writing legal documents related to a deal. In rare cases, when language similarity is absolutely crucial, acquiring firms may find it to be cost effective to create explicit policies regarding the use of language. However, in general, it will be most effective to use norms and principles to ensure that acquired employees integrate specific technical language.

In effect, if an acquired employee is integrated into an organization where the professional norms and standards regarding language related to the acquiring organization's culture differs from the norms they experienced in the past, he or she will be expected to know and follow the skills and standards this profession obliges. These standards will most likely not be legally sanctioned. Nevertheless, they are often important for functioning in the organization and therefore cannot be learned over long periods of time. Thus, they will relate to the internalization of normative institutions, rather than regulative or cognitive institutions.

*Proposition 4a: As acquired employees are socialized in terms of culturally specific technical language, they internalize normative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

Universally accepted language of a profession will be related to the internalization of cognitive institutions. That is, acquired employees will bring a shared knowledge of professional language to the acquiring firm, which will result in a taken-for-granted aspect during M&A integration. For example, terminology related to engineering processes will be institutionalized in universities and professional meetings/associations, and will therefore be common to employees in both acquiring and acquired firms. Technical language will not be related to the internalization of regulative institutions because such language is not legally sanctioned: rather, it is unconsciously used since it is part of the individual meaning set. Its normative component will generally be institutionalized by employees prior to joining either firm through professional associations and/or accreditation associations, and therefore this technical language will have a taken-for-granted status, as Berger and Luckmann (1967) relate in their discussion of the transmission of norms across generations in societies.

In light of this discussion, when managers seek to socialize acquired employees in terms of their technical language domain, they should rely on cognitive institutions where constitutive schema and shared understanding exist. Hence, we propose:

*Proposition 4b: As acquired employees are socialized in terms of universally accepted technical language, they internalize cognitive institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

The second component of the language socialization domain is learning the slang and jargon unique to the merging organizations. Similar to the case for learning culturally specific technical language, acquiring firms will desire that acquired employees know the informal language specific to the acquiring firm in order to be able to work effectively. However, in contrast to learning culturally specific formal language, it is unlikely that potential negative harm to firms will result if informal language is learned over time. One possible exception would be the case of informal language that is considered inappropriate such as behavior that is viewed as harassment in the acquiring firm and not in the acquired firm. In this case, acquiring firms will need to sanction language, either through regulations, or perhaps through normative sanctions if there myriad ambiguities associated with the language differences.

Thus, acquired employees' learning of informal language primarily relate to the internalization of cognitive institutions over time. In rare instances, the acquiring firm may need to create formal regulations, or use normative sanctions, to communicate to employees what is proper language and behavior.

*Proposition 4c: As acquired employees are socialized in terms of slang and jargon relating to language, they internalize cognitive institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

**Organizational Politics**

The fifth socialization domain, "organizational politics," refers to learning the power structures within the organization (Fisher, 1986) so that employees comprehend the political dimension between individual employees and organizational structures. The power structure of an organization might be revealed to an individual actor formally—such as through an organizational level schema—or informally through peers or observation (e.g., Ostroff & Kozlowski, 1992). In other words, individual employees may learn about formal hierarchical power structures through sources such as an organizational level schema relating to job hierarchies (regulative institutions), and informal power structures that are revealed over time through decision making processes and interaction with employees in different informal networks (cognitive institutions).

Learning about formal power structures can be accomplished through reference to organizational schema. Organizations formally give some sense of these different hierarchical dynamics, although in some instances employees will discover some of them over time. Power structures specified in employee handbooks often cover a wide range of rules and regulations. Important rules and regulations will be highlighted, while others may be discovered over time as specific cases motivate employees to refer to the handbook to understand their rights and liabilities. Learning about which employees have more knowledge and/or power than others allows for a more efficient learning and adjustment process during socialization (e.g., Chao et al., 1994; Louis 1980).

In general, we suggest that learning about formal power structure of an organization by the acquired employees will mean internalization of regulative institutions. For example, the VP of a group or function will have certain rights, such as establishing pay guidelines for their group or function. She or he will also have formally specified responsibilities to by higher-level superiors, such as meeting specific goals. These rules cover a wide variety of political issues, such as who determines and allocates rewards to employees. Pay decisions for upper level managers may be determined in committees of peers and superiors, while pay decisions for middle-managers may be determined directly by superiors. We suggest that when integration managers understand that acquired employees learn the organizational politics, which simultaneously will mean internalization of regulative institutions, the M&A integration process will be more effective. Hence, we propose:

*Proposition 5a: As acquired employees are socialized in terms of formal power structures, they internalize regulative institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

Learning about informal power structures will generally occur over time. Acquired employees will learn about the key decision makers or influential leaders in their new units or departments through interactions with these influential individuals, or through informal discussions with peers. Power stemming from informal structures such as networks will be revealed through repeated actions, such as promotions provided to subordinates. Thus, acquired employees may be able to assess the power structure by observing differences in the ability of managers at the same level to confer rewards on their subordinates, or by hearing about past actions from colleagues. Learning about the organizational power structure is generally not associated with normative institutions because it has little to do with organizational standards or procedures that are governed by social sanctions. As mentioned, knowing who has more power and knowledge will overall benefit the employee however, lacking such understanding is hardly punishable through moral or formal means. Understanding that employees will learn the informal organizational politics through shared understandings that relates to the internalization of cognitive institutions will help managers in achieving more effective M&A integrations. Hence, we propose:

*Proposition 5b: As acquired employees are socialized in terms of informal power structures, they internalize cognitive institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

**Organizational History**

The sixth socialization domain, "organizational history," is described as learning the organizational traditions, customs, myths, and rituals that are part of organizational culture (Ritti & Funkhouser, 1987), as well as learning about an organization's background. In many cases, organizational history is observed in artifacts unique to an organization, such as dress codes, the way people address each other, and the physical layout of the organization (Schein, 1990).

These artifacts are typically unique to organizations.

Although some artifacts can be socially sanctioned, such as norms regarding the appropriateness of facial hair, in general they are seen as taken-for-granted aspects of an organization. For example, dress codes in a business school setting may differ according to whether classes are in session. Thus, an employee who joins a department in the summer may come to perceive that informal dress is the norm in the organization. However, once classes start, they may be pleasantly surprised when they show up for work and their experienced colleagues are wearing suits.

In general, artifacts, traditions, rituals and culture will be learned over time as a result of repetition, with acquired employees internalizing cognitive institutions at the same time. Employee behaviors are internalized almost subconsciously. They do not directly reflect regulative institutions since they tend to be taken for granted rather than being legally sanctioned, and for the most part, do not reflect normative institutions since they are learned over time.

In the context of M&A integration, the organizational traditions and customs will generally not be tangible. Conversely acquired employees will understand over time the shared meanings of organizational history and be able to differentiate those that matter from those that do not. In this regard, integration managers need to realize that the socialization of the organizational history domain is likely to be related to the internalization of cognitive insitutions through exposing acquired employees to common beliefs. Hence, we propose:

*Proposition 6: As acquired employees are socialized in terms of organizational history, they internalize cognitive institutions of the acquiring firm. If this is the case, then M&A integration will be more effective.*

## COUNTRY INSTITUTIONAL PROFILES AND SOCIALIZATION IN CROSS-BORDER M&AS

In this section, we expand our post-acquisition integration framework to discuss how national contextual characteristics influence the different organizational socialization domains. The national level is critical in research on cross-border M&As, not only because of the increasing importance of mergers across borders, but also due to their complexity vis-à-vis domestic M&As. Developing a connected workforce in a newly merged organization is more challenging in cross-border M&As, particularly when organizations differ in terms of their language, national culture, institutional and social contexts (Greenberg, Lane, & Bahde, 2005). A great deal of the hindrance to integration success for cross-border M&As is the neglect of differences in societal customs and norms with the other side of the merger during the integration process (Belcher & Nail, 2001; Olie, 1994). However, empirical studies examining the role of management in the process of post-acquisition integration are rare (Child, et al., 2001; Piske, 2002; Uhlenbruck & DeCastro, 2000).

Access to unique organizational routines and repertories might provide competitive advantage (Morosini, 1999). In the case of cross-border M&As, these unique organizational routines and repertories are more likely to be supported by different industry and national level institutions, which surround the merging organizations separately. It is important to recognize that organizational level institutions are created as a result of an organization's interaction with its institutional environment (i.e., national and industry level). Following Morosini (1999)'s argument about gaining competitive advantage through accessing unique routines, cross-border M&As seem more advantageous. However, it is hard to negate these M&As will also face more complexity, at least initially. The link between what kind of information the employees of the acquired organization obtain and through which institutional pillars such information diffused is not straightforward.

Differences in cross-national management practices are often attributed to national culture, and tend to be drawn from Hofstede's (1980) ubiquitous four-fold categorization. We find that national culture is too broad of a concept for analyzing cross-border M&A integration practices, and instead draw on Scott's (1998, 2001) three institutional pillars, wherein the former dimensions are conceptually and empirically distinct. Kostova (1999) offers a novel theoretical solution to this conceptual conundrum using institutional rather than cultural characteristics of countries to create a construct called a country institutional profile (CIP). As Kostova (1999: 314) notes, "a country's social environment can be characterized by its CIP: a three-dimensional construct defined as the set of regulatory, cognitive, and normative institutions in that country." As such, this construct fits nicely with our theoretical framework because it allows us to retain our focus on the internalization of Scott's (2001) three institutional pillars in various socialization domains.

There is, of course, some overlap between Kostova's CIP construct and national culture—for example, both cognitive and normative dimensions have similarities to culture—but the CIP is broader and has unique elements. For instance, the regulatory dimension is unique to CIP but not to national culture. Moreover, as Kostova notes, the CIP allows for analysis at multiple levels in addition to the national level, and can be constructed at different levels of specificity. More importantly, there are a number of elements of the CIP that lend themselves to an analysis of cross-border M&As. For example, Kostova (1999) demonstrates the relevance of the CIP construct in understanding the transfer of organizational practices across borders. Clearly, a cross-border M&A can be seen as involving the transfer of a number of practices from the acquiring firm to the acquired firm, the more so the more integrated the companies become. An important factor is that there may be inconsistencies in the transfer of some of these practices across borders that can lead to conflict, with the greater the difference in CIP between countries, the greater the likelihood of misfit between the transfer of practices across borders, and hence the need for greater effort in the socialization process.

In effect, the link between CIP and the transfer of organizational practices across nations via cross-border M&As is fairly straightforward. In particular, assuming at least some degree of integration in a cross-border M&A,[3] the greater the institutional distance between countries of the merging firms, the greater is the difficulty in diffusing the regulative, normative, and cognitive institutions through organizational socialization domains. Thus, the greater the institutional distance, the greater the emphasis a firm will need to place on socialization by internalizing the most salient institutions.

Transactions across borders are rarely as straightforward as the above illustration suggests, as is evident in empirical research based on Kostova's (1999) CIP showing how CIP plays out in different contexts, such as entrepreneurship (Busenitz et al., 2000) and the adoption of an organizational practice by subsidiaries of multinational corporations (Kostova & Roth, 2002). Existing empirical research on CIPs also indicates that firms may need to allocate more resources to internalizing different institutions in each organizational socialization domain.

Based on the CIP research, we argue, as shown in Table 2, that when large differences in the regulatory dimension between the countries of two merging firms exist (assuming little or no differences in normative and cognitive institutions), the newly merged entity will need to spend a significant amount of time and energy in socializing employees in the socialization domain of

[3] Most cross-border M&As involve some integration, the exceptions being perhaps those involving Japanese acquiring firms (Child et al., 2001), or M&As as substitutes for research and development (Bower, 2001). Even in these cases, the acquiring firm will need to communicate its intentions, and likely diffuse its institutions over time.

formal rules and principles.[4] By contrast, if the institutional difference between countries is greatest for the normative dimension, the newly merged entity will need to focus on internalizing these norms by socializing employees on the following domains: individual work roles, structurally defined relationships, and the history and politics of the organization. Finally, if the two countries diverge primarily in the cognitive institutional dimension, then managers in the acquiring firm should pay particular attention in socializing employees about the unwritten, informal, tacit rules and principles, informal relationships and language domains.

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Insert Table 2 about here

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As we have suggested, reality is more complex than what our model indicates. For example, if cross-border M&As involve the transfer of practices that are associated with different CIP, firms will need to vary the socialization domains they use for each different practice. While such management techniques can become increasingly complicated—e.g., if the degree of integration is high, rather than medium or low, or if firms are in radically different industries—the nature of CIP and our post-acquisition integration framework can provide substantive guidance and thereby minimize potential difficulties in cross-border M&As. For the case of different industry groups, this outcome can be resolved by developing an industry institutional profile, as Kostova (1999) notes is possible.

[4] This assumes that the difference in the regulatory dimension is not very large. As Kostova (1999) notes, if a practice is perceived to be in conflict with the regulatory institutions of the recipient country, there is a high likelihood that the practice will not be transferred and implemented.

## MANAGERIAL IMPLICATIONS

We have identified what type of institution (institutional pillar) is most dominant in each socialization domain and developed a set of propositions to specify how M&A integration can be made more effective. This allows us to take the next step in which we suggest specific implications of our propositions for managers seeking to effectively integrate acquired employees. An important factor in a successful M&A integration is, therefore, that managers understand which types of rules, norms, and values are circulating in the newly merged organization. This fine-grained understanding will allow managers to choose the most effective strategic tools and human resource practices to effectively socialize employees, and hence pursue a better post-merger integration. For example, regulative institutions might be codified during employee orientation and training so that formal job characteristics are clearly communicated to all employees. Normative institutions might be articulated through supervising, mentoring, peers, secretary/support staff so that employees learn the necessary professional technical language to conduct their organizational roles. Finally, cognitive institutions might be facilitated through social/recreational activities so that employees understand the power structure of the newly merged organization. We next discuss the managerial implications for each socialization domain.

***Individual Work Roles***. Managers will need to specify clearly the characteristics associated with specific jobs, a role traditionally performed by the human resource management function. Nevertheless, managers in different departments and business units will have an important role to play in ensuring that employees clearly understand the requirements of the jobs that they hold. Managers can do so by taking a proactive role in transferring knowledge of job processes to acquired employees, for example by providing information about jobs to employees, either from employee handbooks, or through easily accessible internal websites. Managers can also help ensure that there are open lines of communication between employees in similar jobs, thereby facilitating the integration of peers from the acquiring company with those in the acquired firm.

***Organizational Goals and Values***. Managers can provide acquired employees with specific formal rules about what behavior is not acceptable and subject to being sanctioned. Managers can also help acquired employees to understand the norms governing values and goals of the acquiring organization, for example by highlighting values in the mission statement that are desired, and by illustrating behaviors that have been socially sanctioned in the past. Although it is more difficult that acquired employees internalize unwritten goals and values of the acquiring firm given the time needed to become taken-for-granted, managers can speed up the post-acquisition integration process by sponsoring social functions that highlight desired behavior. If they can convince the firm's leaders to participate in these functions, acquired employees will see more clearly the importance of following certain tacit rules and principles. Thus, managers may need to persuade leaders of the benefits that their participation will bring to the firm.

***Work Relationships***. Managers can facilitate the exposure of acquired employees to a variety of informal networks by placing them strategically into multi-function and multi-level teams in the newly merged organization. Doing so will help to integrate acquired employees, and allow them to build their own effective informal networks. Conversely, structurally defined employee relationships can be communicated to acquired employees, for example, by distributing relevant organizational charts, or by having supervisors or peers in the acquiring firm provide insight into the different reporting relationships within business units and divisions of the new organization. As in the case of individual work roles, managers can also make available information on structural relationships contained in handbooks or on internal web based systems to acquired employees.

***Language***. Managers can integrate acquired employees more effectively by specifying the important culturally specific language of a profession that is required to work effectively in the acquiring firm. They can also involve human resource managers in specifying what is considered to be inappropriate language, and clearly relating possible sanctions from violating informal codes of conduct, particularly if such behavior goes against the legal rules of a society. Many other language differences will be revealed through interaction, as well as through written and informal communication related to work activities. Managers can therefore help to integrate acquired employees by ensuring that they are exposed to a variety of activities, particularly for employees who may be telecommuting, or who engage in a significant amount of off-site travel.

***Organizational Politics***. Managers can assist in the socialization of acquired employees by specifying clearly the job hierarchies and the reporting relationships associated with different jobs in the firm and its component groups. By so doing, acquired employees can better understand which employees are supervisors, which are subordinates, and to whom do they report. By communicating this formally specified information to acquired employees, acquiring firms can reduce much of the uncertainty associated with M&A integration, such as who evaluates their performance, how they do so, and more importantly, how they will be rewarded.

Specifying formal power structures not only involves a description of job bands and grade level structures, but also a presentation of how hierarchically related jobs fit within other organizational structures, such as functional and matrix structures. For example, acquiring firms with matrix structures will need to specify to the acquired employees whether they will have one or more bosses, and which one has the ultimate authority over certain work tasks they might perform. In effect, managers in acquiring firms will want to make it clear to acquired employees who their bosses are, what responsibilities they have to them, and what determines important career outcomes for these employees, such as promotions, bonuses, and salaries.

Managers will have less ability to influence the socialization of informal power structures characteristic of organizational politics in acquired employees, since this information is generally learned over time. Nevertheless, as in other instances where cognitive institutions are being socialized, managers can enhance integration effectiveness by increasing acquired employees' exposure to organizational actions that reveal informal authority, as well as exposure to managers and colleagues who can and will impart such information to them. For example, placing acquired employees in a number of work groups can give them a better sense of who has informal power in the network structures of the acquiring organization.

***Organizational History***. Managers can increase the effectiveness of the integration process by exposing acquired employees to a variety of artifacts that thereby help to further socialize them into the acquiring organization. For example, although many employees will experience the acquiring organization's history on a daily basis as they experience a variety of artifacts such as the organization's layout, they may not internalize them quickly due to the cognitive nature of these institutions. Thus, while being cognizant of overloading acquired employees with information, managers may be able to assist these employees by putting them in contact with peers or mentors who can provide answers to questions that they feel are important, as well as to provide them with an understanding of what role the acquiring organization's history has in determining the way the acquiring organization appears.

In sum, managers in acquiring firms can take a variety of managerial actions to help ensure effective integration of acquired employees into the newly merged firm. A crucial task for upper level managers and leaders is to sell the idea of effective integration to the managers who are best situated to impart knowledge to acquired employees of the myriad policies, values, systems, and practices important to the organization's success. In particular, deal makers (boards and top management teams) will need to convince integration managers that integration is not simply a task to be performed by human resource management practices and guidelines, but depends critically on their ability to socialize acquired employees in their work groups effectively and quickly.

These implications are also applicable to cross-border M&As. However, as we discussed, the case of cross-border M&As is more complex in that one needs to account for the differences in industry and national level institutions in addition to organizational level ones. Such complexity makes understanding the implications of acquiring various kinds of information more important. In other words, even though differences between the merging organizations seem to exist at organizational level, grasping differences within a context will be beneficial to the managers of the merging organizations. While there are unique organizational level routines, the creation of such routines is influenced by environmental characteristics surrounding the organization. Therefore, understanding broader contextual characteristics might help merging organizations make more sense of organizational level differences. For example, for the individual work roles domain, we propose that managers might provide information about jobs to employees by using handbooks, intra-organizational network, and open communication. If we assume that two organizations from collectivist and individualistic cultures (i.e., differences at national level institutions) merge, the perception of the employees of a specific job task might be different. Employees of the collectivist organization might perceive their performance in relation to their peers while the employees of an individualist-oriented organization might try to stand out more individually. If such differences are not taken into account, then the evaluation of employees might create misperceptions on the side of managers in terms of, for example, the performance of that employee. Therefore, in cross-border M&As differences in organizational, industry and national level institutions should be considered as a whole.

## DISCUSSION AND CONCLUSION

In this chapter, we analyzed the relationship between the three pillars of institutions and the six domains of socialization in the context of the integration phase of M&As. Our main assumption is that the organizational socialization process entails the internalization of different types of institutions (e.g., Fogarty & Dirsmith, 2001; Inzerille & Rosen 1983; Meek 1988), and thus it is critical to identify what types of institutions will be most salient in to each socialization domain. We propose that post-acquisition integration will be more effective when the socialization process is coupled with the internalization of the necessary institutions.

Our examination of what type of institution will be internalized in each socialization domain has generated theoretical propositions arguing that the use of a given institution in the socialization process will lead to a more effective integration. For the sake of theory development, we have identified what we argue are the most prominent institutions in each domain. However, we do not categorically deny that all types of institutions might be present in each socialization domain. We simply argue that the ones that we identify should be recognized and utilized in the socialization process.

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TABLE 1
Institutional Pillars and Socialization Domains Internalized by Acquired Employees during M&A Integration

| | **Three Pillars of Institutionalism** | | |
|---|---|---|---|
| **Organizational Socialization Domains** | **Regulative** (Sanctioned by rules) | **Normative** (Socially conditioned) | **Cognitive** (Taken-for granted) |
| **Individual Work Roles (P1)** | Formal job characteristics | Job processes | |
| **Organizational Goals and Values (P2)** | | | |
| **a.** Formal rules and principles | Formal rules relating to the integrity of the acquiring organization | Socially defined principles of what the acquiring organization represents | |
| **b.** Unwritten, informal, tacit rules and principles | | | Taken-for-granted employee behavior and action |
| **People (P3)** | | | |
| **a.** Informal relationships | | | Informal social networks among employees |
| **b.** Structurally defined relationships | Formally specified links among jobs in acquiring organization | | |
| **Language (P4)** | | | |
| **a.** Technical language | | Culturally specific accepted language of a profession | Universally accepted language of a profession |
| **b.** Slang and jargon | | | Socially accepted language unique to the acquiring organization |
| **Organizational Politics (P5)** | Formal power structures specified by job hierarchies | | Informal power structures revealed by dynamic decision making processes |
| **Organizational History (P6)** | | | Artifacts related to the history of the acquiring organization |

**TABLE 2**

Key Socialization Domains to Take into Account in Cross-border M&As when Institutional Distance is High

| | *High Regulatory Difference* | *High Normative Difference* | *High Cognitive Difference* |
|---|---|---|---|
| *Socialization Domain Emphasized* | Formal rules and principles | Individual work roles | Unwritten, informal, and tacit rules and principles |
| | | Structurally defined relationships | Learning about work characteristics of people |
| | | Organizational politics | Language |
| | | Organizational history | |

FIGURE 1
The Organizational Socialization Process