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Destructive Dynamics of Middle Management Intervention in Postmerger Processes

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This article focuses on the dynamics of middle management intervention in post-merger processes. The literature on middle management intervention has focused on conflicts of interests between top and middle management in implementing strategic intent. The author suggests a more complex view of middle management intervention where the strategic intent is operationalized in the tension between groups of middle management driven by self-interests. The data and research generated in a merger between four Nordic partners show how the centralized support staff and operational management operationalized strategic intent in contradictory ways that led to implementation failure. These two middle management groups were given room for this destructive intervention for two reasons. First, the strategic intent gave unclear prescriptions for implementation and contained inherent contradictions between differentiation and integration. Second, the top management was largely absent in the implementation process and did not intervene until the merged corporation had persistent negative performance.

Keywords: *middle management; mergers and acquisitions; change dynamics; emergent change*

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INTRODUCTION

The aim of this article is to explore the dynamics of middle management intervention in postmerger processes. The role of middle managers during planned change has typically been downplayed in comparison to that of top management (Huy, 2001), and scholars call for more studies that focus on the way middle management shapes change (Balogun & Johnson, 2004). As organizations become increasingly complex and geographically distributed, through mergers and acquisitions (M&As) or other change initiatives, middle managers' roles as change agents are expected to increase in importance, even when senior management has already laid down a strategic direction (Balogun & Johnson, 2004).

The M&A literature has traditionally focused on how the top management determines the choice of integration approach at the outset of the merger (Haspeslagh & Jemison, 1991, 1994; Pablo, 1994; Zollo & Singh, 2004) and has to a large extent neglected how the integration approach is implemented (Haspeslagh & Farquhar, 1994). To the extent that the M&A literature has focused on the implementation process, it has primarily looked at the divergent preferences between the merging parties (Nahavandi & Malekzadeh, 1988). The M&A literature is very silent with respect to middle management, and to understand how middle management intervenes in merger processes, the author therefore draws on insights from the literature on middle management's role in strategic change processes (Balogun, 2003; Balogun & Johnson, 2004; Floyd & Wooldridge, 1992, 1994, 1997; Guth & MacMillan, 1986; Huy, 2001, 2002; MacMillan & Guth, 1985).

However, just as there are different partners in merger processes, there are also distinctive middle management groups that cut across the merging parties. One such distinction that will be elaborated in this article is the tension between centralized support staff and operational management. This is a classic conflict in diversified corporations (Chandler, 1962; Galbraith, 1973; Goold, Campbell, & Alexander, 1994) but represents a further complication in M&A processes where the tensions between functional groups come on the top of the tensions between merging parties.

Whereas the previous literature on middle management has focused on the tensions between top and middle management, this article proposes a more complex view of middle management intervention that takes into account both the horizontal relations between middle management groups and the vertical relations between the top and middle management groups. Studying a merger between four Nordic partners, the article describes how two middle management groups operationalized strategic intent in ways that led to implementation failure. The purpose is not to explain implementation failure in general but to investigate how middle management groups with divergent interests affect the operationalization of strategic intent in particular. During a 3-year period, four financial institutions (Finnish, Swedish, Danish, and Norwegian) merged, constituting what today is known as Nordea. Contrary to expectations, it was found that the operationalization of strategic intent was not pulled in different directions by the merging parties but by centralized support staff and operational management. This destructive middle management intervention did not happen because the two groups resisted the implementation of strategic intent

but because they acted according to their self-interests. Unconstructive middle management intervention was possible because the strategic intent was unclear and had inherent contradictions and because the top management was largely absent in the implementation process.

IMPLEMENTATION OF INTEGRATION APPROACH IN MERGERS

The choice of integration approach is one of the most important strategic decisions to make in M&As (Pablo, 1994; Zollo & Singh, 2004). Over- and underintegration can result in failure to create value, or worse, it might even destroy value. Although there is considerable research on factors that determine the choice of integration design, researchers lack knowledge on how the integration design is operationalized in postmerger processes. Integration approach corresponds to the terms *level of integration* (Pablo, 1994; Zollo & Singh, 2004), *integration process modes* (Haspeslagh & Jemison, 1991), and *acculturation mode* (defined as changes induced in the two cultural systems as a result of the diffusion of cultural elements in both directions; Nahavandi & Malekzadeh, 1988).

One of the most influential and cited typologies applied in this article to illustrate the integration approach is Haspeslagh and Jemison's (1991) integration process modes. Haspeslagh and Jemison suggest that the choice of integration design is guided by two factors, the strategic interdependence need and the need for organizational autonomy. Underlying these two dimensions are integration and differentiation as the two core processes of organizational design (Lawrence & Lorsch, 1967a, 1967b). Horizontal differentiation in mergers implies that the merging parties' organizations are preserved with the inherent risk of maintaining subunit orientations. Integration is aimed at facilitating cooperation, coordination, and communication between the merging parties. However, if integration is taken too far in the direction of centralizing functions and units, the merging parties risk that managers and employees get demotivated and feel alienated and that the distance to the customers increases (Barney & Hesterly, 2006; Buono & Bowditch, 1989; Nahavandi & Malekzadeh, 1988).

Strategic interdependence need acknowledges that the degree to which the boundaries of the acquired organization will have to be disturbed or eliminated depends on types of capability transfer (resource sharing, functional skill transfer, or general management capability transfer). On the other hand, the organizational autonomy need focuses on to what extent the preservation of capabilities requires boundary protection.

When there is a high strategic interdependence need, the integration design should either be absorption, in the case of low organizational autonomy need, or symbiotic, in the case of high organizational autonomy need. Symbiotic mode implies that there is an inherent tension between boundary maintenance and effective strategic capability transfer and is regarded as the most challenging integration mode. When there is a low strategic interdependence need, the priority is to maintain the sources of expected benefits intact and thus to preserve the separate organizations, choosing a preservation mode.

The M&A literature has with few exceptions been preoccupied with factors that determine the planned integration approach (Haspeslagh & Jemison, 1991, 1994; Napier, 1989; Pablo, 1994; Schweiger, Csiszar, & Napier, 1994), and the challenges in implementing the strategic intent have been largely ignored. Comparing Haspeslagh and Jemison's (1991) three integration process modes, it is reasonable to believe that the symbiotic mode also will be the most challenging mode to implement for two reasons. First, in comparison to absorption and preservation there are less clear prescriptions to guide the implementation (Haspeslagh & Jemison, 1994). Second, the inherent tension between integration and differentiation in this particular design may unleash self-interest behavior in various groups.

Nahavandi and Malekzadeh (1988, 1994) are two of the few scholars in the M&A literature who argue that the resulting mode of acculturation is not necessarily deliberately chosen by the acquirer or the acquired firm but emerges as a result of the postmerger process. This view corresponds to the emergent perspective in the strategic management literature where change is seen as evolving from a combination of plans and emerging issues (Burgelman, 1983; Mintzberg, 1978; Quinn, 1980).

Nahavandi and Malekzadeh (1988, 1994) explicitly take into account both the acquiring and the acquired firms' preferences. They suggest that when the acquirer and the acquired firm disagree on the preferred mode of acculturation, the result may be high levels of acculturative stress (defined as individual states and behaviors that are mildly pathological and disruptive) and disruption for both individual and group functioning. However, divergent preferences in postmerger processes may also arise from groups at different levels of the organization. To understand how these influence the postmerger process, we draw on literature on middle management intervention that acknowledges the role middle management has in influencing the content of the strategy in the implementation process (Balogun, 2003; Balogun & Johnson, 2004; Floyd & Wooldridge, 1992, 1994, 1997; Guth & MacMillan, 1986; MacMillan & Guth, 1985).

MIDDLE MANAGEMENT INTERVENTION

This section looks at how middle management can influence strategic processes and reviews whether this influence is constructive or destructive. The dominating planned integration approach in the M&A literature fits the traditional top-down, directive models of change (Bourgeois & Brodwin, 1984) where the role of middle managers is to take the top management's plans and put them into place, aligning organizational action with strategic intent (Nutt, 1987; Thompson, 1967). Middle management acts out the senior management's orders but with limited discretion.

However, middle management may play a more active role in implementing strategic intent than simply carrying out the senior management's orders. Although senior management has identified strategic intent, middle management needs to operationalize the details of the strategy. This involves a range of activities to interpret and make sense of the strategy, elaborate on the detail of the content of strategy, leverage the information, and stay attuned to the employees' emotional needs (Balogun, 2003;

Balogun & Johnson, 2004; Currie & Procter, 2005; Huy, 2001, 2002). In addition to interpreting and making sense of strategic intent, middle managers can influence the strategic process upward (Currie & Procter, 2005; Essex & Wyss-Flamm, 2005; Floyd & Lane, 2000; Floyd & Wooldridge, 1997; Schilit, 1987) both in influencing formulation and implementation. Schilit (1987) finds that upward influence was more prevalent during implementation of strategic decisions than during formulation of such decisions.

A central debate within the literature on middle management is whether the middle management plays a destructive or productive role through the way it responds to and tries to influence senior management (Balogun, 2003). Middle management has often been singled out as the primary locus for resistance to change (Biggart, 1977; Dopson & Neumann, 1998; Dopson & Stewart, 1990). A frequent complaint of senior executives is that middle or operating managers fail to take actions necessary to implement strategy (Balogun, 2003) or that they disrupt the implementation process by trying to manipulate the process (Essex & Wyss-Flamm, 2005). Moreover, pressure on organizations on cutting costs and being adaptable and flexible have made middle management vulnerable because it has been seen as adding costs and obstructing information (Balogun, 2003). Implementation problems are often the result of poor middle management understanding and commitment to strategy (Floyd & Wooldridge, 1992; Guth & MacMillan, 1986). Typically, unsuccessful execution of strategy is caused by middle- and operating-level managers who are either ill informed or unsupportive of the chosen direction (Floyd & Wooldridge, 1992).

However, recent studies have questioned this notion of “foot-dragging” middle managers, suggesting that middle management can have an important role promoting and facilitating change (Currie, 1999; Dent & Goldberg, 1999; Floyd & Wooldridge, 1992, 1994, 1997; Huy, 2001, 2002). This perspective views middle managers as strategic assets championing new ideas, facilitating adaptability, and synthesizing strategic information for senior managers in formulating strategies (Currie & Procter, 2005; Floyd & Lane, 2000; Floyd & Wooldridge, 1997). Moreover, it argues that middle managers can have a key role in implementing strategic intent because they are uniquely suited to communicate the change across the organization and because they can address their employees’ emotional distress during change (Huy, 2001, 2002).

Leading scholars have suggested that whether middle management takes a constructive or disruptive role depends on its commitment to the strategy (Floyd & Wooldridge, 1992; Guth & MacMillan, 1986; MacMillan & Guth, 1985; Vroom, 1964). In general, the middle management’s strategic commitment depends on (a) how the contemplated strategy fits with what the managers perceive as the interest of the organization and (b) how it fits with the managers’ own, personal self-interest (Floyd & Wooldridge, 1992). Indeed, when it comes to the battle between the organization’s interests and middle management’s interests, Culbert and McDonough (1980) give an excellent insight into how and why individuals are driven by their self-interest at work.

However, the opportunity for middle management to take on a constructive role also depends on how top management perceives the role of middle management

(Huy, 2001). Huy (2001) says that the main problem is that the top managers fail to listen to their middle managers because they view them as inherently resistant to change. "Since senior managers 'know' middle managers resist change, they only pretend to listen to them. Middle management, in turn, learns that they won't be listened to, so they take the role as the compliant child" (p. 74).

Whether middle management takes a constructive or destructive role also depends on how top management defines its role in the implementation process. In studying a top-down change, Balogun and Johnson (2004) find that senior management was largely absent in operationalizing strategic intent. Rather than being active directors of change, senior management became "ghosts" in the implementation process. In terms of structural changes, this implied that top management outlined the new structure and left it to the middle managers to develop the operational details of this structure in its absence.

In the literature on middle management intervention, the focus is on the vertical relations between the top and middle management. We suggest a more complex view of middle management intervention including both the horizontal relations between middle management groups and the vertical relations between top management and groups of middle management. Balogun and Johnson (2004) argue for the need to focus on the horizontal interactions within organizations, saying, "The focus to date on vertical interactions between senior management and others has obscured the importance of horizontal interactions within organizations" (p. 524). Whereas Balogun and Johnson focus on the middle managers' lateral social interactions as individuals, the research team for this study directs the attention to the horizontal dynamics between middle management groups with diverse interests. Floyd and Lane (2000) argue that differences in the orientation of subunits, such as functional expertise, may cause different perceptions about the need to change. The research and data generated through this study indicate that these middle managers do not only have different interpretations of events but are also likely to differ in how they operationalize strategic intent.

Whether this operationalization of strategic intent provides a constructive or destructive impact on the implementation process depends on how the interests of the middle management groups are aligned. The data generated in this study suggest that because middle management has diverse interests, its intervention may be destructive regardless of whether it resists or supports the implementation process. Whether this intervention is allowed to evolve into implementation failure does however depend on how top management perceives its role in the implementation process—as active directors of change or as absentees.

METHOD

The research team conducted a case study consisting of a merger that was unique in history because it involved four partners in four different countries, Finnish Merita, Swedish Nordbanken, Danish UniDanmark, and Norwegian Kreditkassen. The study was conducted by a team of researchers from the four countries, respectively,

and the broad theme was to reconstruct the decision-making processes leading to the creation of Nordea, with a focus on integration decision making and cultural politics. Several members of our research team had previously conducted research on Nordea and its predecessors. This empirical material and the informal contacts developed in these projects were of great value to the Nordea research team.

The integration approach was a theme that arose from the first analysis of data in 2001. This was not a theme that was central in our interview guide but came up as a surprising finding grounded in the data. As such, our preliminary findings encouraged us to follow new leads and take advantage of the unexpected (Miles & Huberman, 1994). To get a better grasp of the theme, we therefore chose to conduct the second round of interviews where we could focus more explicitly on the integration approach.

The inductive approach used in this article can be characterized as an emerging design where the questions and categories are redefined as the study proceeds. We chose a grounded theory approach within the context of a case study. This design fits with our purpose to study how individuals interact, take actions, or engage in response to a phenomenon (Creswell, 1998) and to develop theories that are grounded in data from the field (Glaser & Strauss, 1967). Moreover, case studies are suitable for in-depth exploration of sensitive or complex issues (Sykes, 1990) and for understanding social processes in their organizational and environmental contexts (Hartley, 1994).

Data Collection

The primary method for collecting our empirical material was interviews. In addition, company documents, surveys, consultancy reports, and media coverage were collected to triangulate the data (Yin, 1989). In line with the explorative character of the study, the goal of the interviews was to see the research topic from the perspective of the interviewee and to understand why he or she came to have this particular perspective. In this sense, we used our interviewees as key informants, which implied that we as researchers used participants as observers and interpreters of the integration process (Van de Ven & Huber, 1990). To meet this goal, King (1994) recommends that one has "a low degree of structure imposed on the interviewer, a preponderance of open questions, a focus on specific situations, and action sequences in the world of the interviewee rather than abstractions and general opinions" (p. 15). Hence, the collection of primary data in this study consisted of unstructured interviews.

All interviews were tape recorded and lasted approximately 1½ hours on average. All interviews were then made accessible to the whole team, though for the Finnish interviews there was a language problem for the non-Finns. Two interviews were translated to English in full, and the Finnish team volunteered to look for citations in search of a specific theme in the Finnish interviews. Because the issues we wanted to explore were sensitive, complex, and contextual in their nature, we chose an approach where each nationality had responsibility for conducting interviews in their respective country. To ensure access and close communication with Nordea, one top

TABLE 1
Distribution of Interviewees

<i>Level of Organization</i>	<i>Nationality</i>				<i>Total</i>
	<i>Finnish</i>	<i>Swedish</i>	<i>Danish</i>	<i>Norwegian</i>	
Top management 2001-2002	3	2	2	1	8
Middle management 2001-2002	9	11	10	11	41
Middle management 2003				4	4
Total	12	13	12	16	53

manager from Nordea was also part of the team. However, he did not participate in any of the interviews or have access to the interview data.

We chose to focus on the senior and key middle management. Whereas senior managers were part of the top management team, other managers were categorized as middle managers. This corresponds to Huy's (2001) definition of middle managers as any manager two levels below the CEO and one level above line workers and professionals. Most of the managers we interviewed in Nordea were in very influential positions, being able to influence the integration design. These particularly applied to the four operational country managers, who were in boundary-spanning subunits. According to Floyd and Wooldridge (1997), these are typically positions with high levels of strategic influence activity.

The first round of 49 in-depth interviews took place during fall of 2001 and early 2002. In 2003 we chose to conduct a second round of interviews with four Norwegian managers who had been interviewed before. The main reason for interviewing these managers twice was, as mentioned earlier, to explicitly search for more information on the integration approach. Moreover, the Norwegian organization had entered the merger last and just before we collected our data. We therefore felt a need to explore whether the immediate perceptions of the merger dynamics expressed in the first round of interviews had changed as the Norwegian organization became more integrated into and learned to know the merged organization. The distribution of interviewees on country and organizational level is illustrated in Table 1.

How Data Were Analyzed

In the first step of analysis, we went through all the interviews and marked the paragraphs on integration design. This provided us with a picture of which integration design was chosen in different parts of the organization. We then focused our attention on retail banking, which seemed to have the most challenging integration design to operationalize. With a narrower focus, we searched the data looking for factors that could explain the rationale behind the choice of integration design in retail banking and the factors influencing the operationalization of integration design. We classified these quotes into more specific themes, including vision of Nordea; preferences and responses from support staff and operational

management, respectively; top management interventions; and effects on costs and performance.

In the third phase of analysis, we chose to go deeper into why the middle management intervention was destructive to the postmerger process. This led us to look at the horizontal relations between middle management groups. We compared these emergent findings using insights from the M&A and middle management literature. This alternative templates strategy (Langley, 1999) involved using the literature as a means to compare and contrast our findings. Contrary to our expectations from the M&A literature, we found that the operationalization of the symbiotic integration design was not challenging because the tensions between strategic interdependence need and need for organizational autonomy (Haspeslaph & Jemison, 1991) or because of different preferences between the merging parties (Nahavandi & Malekzadeh, 1988, 1994). Rather, we found that the key groups in operationalizing integration design were middle managers. Moreover, although the literature on middle management did inform us on how middle managers intervene pursuing their self-interest, we found that there was an unanswered question inherent in the tension of interventions between middle management groups. Finally, we built a synthesis of the views from theory and from the case to flesh out possible circumstances in which middle management intervention could take a destructive toll.

To check for consistencies in the data, the first draft of the article was sent to two other researchers on our team, a Dane and a Finn. These researchers gave us feedback on the relevance of the theme and the validity of our data.

THE DYNAMICS OF MIDDLE MANAGEMENT INTERVENTION IN NORDEA

The Nordea case is a unique merger involving four partners from four different countries. It started off in 1987 when Swedish Nordbanken merged with Finnish Merita. In the spring 2000, Merita Nordbanken merged with Danish UniDanmark, and in the end of the same year, Norwegian Kreditkassen was added.

The vision for the Nordea merger was to put together a Nordic corporation with a Nordic identity that cut across all four countries. The aim stated in the 2001 annual report was to "Create a truly Nordic company—operating as a group—not a federation—focusing on business areas not countries or legal entities." The task of integrating these four financial organizations was an immense one, and the success of the merger was highly dependent on how this task was implemented.

This section describes how the strategic intent was operationalized by the support staff and operational middle management in a way that led to implementation failure. The section starts by outlining how the strategic intent opened for multiple interpretations and self-interest behavior. Then the author describes this self-interest behavior and explains why these interventions were destructive. Last, the author explores why this destructive middle management behavior was allowed to prevail by looking into how the top management defined its role in the implementation process. The destructive dynamics of middle management intervention is illustrated in Figure 1.

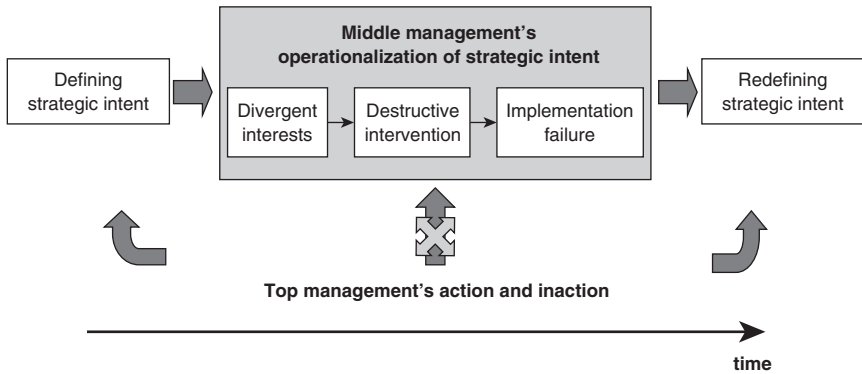


FIGURE 1: Destructive Middle Management Intervention in Nordea

Strategic Intent—Choosing a Symbiotic Integration Design

Nordea’s vision was particularly challenging for the retail banking segment, which constituted approximately two thirds of Nordea’s total value and was the core business of the organization. A number of the executives in Nordea claimed that the integration of the retail banking operation was by far the most difficult one as expressed by a top manager: “The most difficult part has been the retail banks because they are so inherently national.” Although Nordea explicitly communicated the desire for establishing a new Nordic identity, the need to preserve national entities in retail banking seemed to be widely accepted. The reason was that too much integration could put the customer relations at risk and lead to loss of market share on local markets. Danish middle managers said, “Our private customers are indifferent to whether we are Nordic or whatever. They are much more interested in a good local bank that has good offers” and “I think you could say in retail banking . . . one has felt that it has been more difficult to bring the Nordic way of thinking forward, because it has been such a strong national standing point.”

However, there was also a large synergy potential in sharing resources across national boundaries. Nordea’s top management therefore chose an integration approach where the business areas were decentralized but with strong support staff units and central policies. In terms of Haspeslaph and Jemison’s (1991) integration modes, this structure resembles symbiotic integration. The challenge in this particular integration design is that there are less clear prescriptions compared to the other modes regarding how to implement the design (Haspeslaph & Jemison, 1994) and inherent contradictions between integration and differentiation (Lawrence & Lorsch, 1967a, 1967b). A Swedish staff function manager recalled how this strategic intent was communicated from the top management: “In the first corporate conference we had that Autumn in the year 2000, the top manager said that the business areas were to be decentralized, but alongside strong staff units and strong central policies and guidelines.”

This approach reflected the aim to try to balance between extracting synergies from centralizing staff functions and policies on one hand and preserving a local operation in each country on the other. As such, the strategic intent in itself invited diverse responses from groups of middle management. From the M&A literature, one would expect that the merging parties would have divergent views on the integration approach and that these divergent interests would pose a challenge to the postmerger process (Nahavandi & Malekzadeh, 1988). Our findings suggest that the divergent interests in operationalizing strategic intent cut across the merging parties and were in line with the inherent contradictions in the symbiotic integration design. These divergent interests resided in functional subunits (Floyd & Lane, 2000) depending on whether the middle managers had a centralized support staff or operational function.

Operationalization of Strategic Intent

As described earlier, middle management can play a constructive or a destructive role in operationalization of strategic intent (Balogun, 2003). Which role middle managers take and the means they use depend on their self-interest (Floyd & Wooldridge, 1992; Guth & MacMillan, 1986) and how the top managers perceive the middle managers and their own role in the implementation process (Balogun & Johnson, 2004; Huy, 2001, 2002). Middle managers will be particularly willing to intervene if they disagree with the decision made by the top management. However, different groups of middle managers may have different interests in operationalizing the strategic intent, and the key problem in this process was contradictory moves made by operational management and staff function management.

Support Staff's Preferences and Actions

The data from the case study suggest that activities initiated by support functions pushed the merger in the direction of a higher degree of integration than intended by the top management. This cannot be characterized as a push to a traditional absorption (Haspeslagh & Jemison, 1991) where one party dominates the other. Rather, Nordea was a result of mergers between four presumably equal parties where it was not possible for one party to unilaterally impose its preferences on others (Pablo, 1994). This implied that the staff functions initiated projects that had the aim to coordinate and harmonize practices and systems between the autonomous country business units. One example of such an initiative was the management information system. A staff function manager said, "One important task was to build a management information system which could feed the Nordic business areas on data on human resources, their employees, simple matters such as wages, working hours, education and so on."

However, staff function managers struggled to get the operational managers to buy into the Nordic integration project, as expressed by a Norwegian staff function manager,

The Finn is saying: What's in it for me? He is not joining the Nordic, because he is only thinking about the Finnish supply side. So I have a lot of trouble getting him onboard in a Nordic process. The Dane is easier, but all the time with this in the back of his head: OK, we are now supposed to go in that direction. How does that fit with the signals I have got from Retail Denmark about positions and other things?

Simultaneously, a Swedish operational manager worried that too many of the integration projects were in the hands of staff functions, fearing a poor compatibility between the realized projects and the needs of the business units: "It [the integration process] is driven too much by the staff and too little by the operational managers."

There seems to be two factors pushing the staff function management in the direction of a higher level of integration. The first was the ability to participate in cross-border activity given the large number of cross-border projects initiated in the merger process. According to the operational management there was substantial excess capacity in support staff functions. This excess capacity worried the operational managers, especially because their own capacity to engage in cross-border activities was perceived as rather limited: "My worry is that the complexity is increasing to a level where the support staff gets too much room to initiate their own activities" (Norwegian operational manager).

The second factor that pushed the support functions toward more integration was the managers' fear of being downsized. In mergers, there is often an explicit aim to cut costs, and as middle managers are often seen as adding costs and obstructing information, they are particularly vulnerable to downsizing (Balogun, 2003). In cross-border mergers, the most evident functions that become vulnerable to downsizing are support functions that are non-country specific. As such, it is likely that the support functions will respond as subjected to a retrenchment or downsizing strategy (Floyd & Wooldridge, 1992). For the support functions in Nordea, it was in their interest to engage extensively in cross-border cooperation to make themselves visible and indispensable. As expressed by a Norwegian operational manager,

If you are to push this to its logical conclusion . . . it is the support function managers themselves that are driving this. The support functions are very competent and have large capacity, and through showing their indispensability they are driving that process themselves. You need to be quite brutal to cut support functions.

Operational Management's Preferences and Actions

At the same time as the support function managers seemed to be pushing for and facilitating cross-border cooperation, the responses of country operation managers was to preserve the retail banks as intact as possible, resisting central policies and systems. One staff function manager said,

I probably misjudged the difficulties [concerning the implementation of a cross-border project] and was somewhat naive. To me it was self-evident that the managers responsible for the national operations, also were the most competent to get this going. . . . But, we should have done this differently.

Our findings suggest that the operational management pushed the integration approach more toward preservation (Haspeslagh & Jemison, 1991) than intended by the top management.

The perception among staff function management was that the retail operations operated as if no change had happened: "The largest part of the bank is the retail segment. There one continues, if you take a look at the organization, very much along the same lines" (operational manager).

The operational managers strongly argued for the need to preserve strong and autonomous national entities, making the boundaries even stronger. This is illustrated by a line manager from Denmark: "In the retail bank we have to build Berlin walls . . . which creates some boundaries that are new. We win by making it function, but also lose something."

The drive toward maintaining status quo seemed to be partly driven by limited capacity, as discussed earlier, but more so by the operational management's lack of desire to participate in cross-border activities. There seemed to be two factors that influenced this willingness, including the likelihood of winning the resource battle and the consensus-based decision making.

Given that this was a merger not between two but four partners, the chances of "winning" in the battle over resources was rather small. Unless they were forced, one would expect the managers to preserve as much of their organization as possible, preserving their self-interest as argued by MacMillan and Guth (1985) and Guth and MacMillan (1986). This is illustrated by the following quotes: "What is interesting is that there is a kind of survival of the fittest in this organization" (Swedish top manager) and "Best practice was defined through a political contest. The Danes claimed that they had the best practice. If they did not gain acceptance for this view, they refused to do anything" (Norwegian staff function manager).

The second factor driving the preference for preservation among country managers was the decision-making structure. The decision-making structure that emerged in the interaction between the country managers was built on the consensus principle, and neither party could enforce their preferences on the other:

I do not think it is possible to make one Nordic production entity unless this is based on executives who want to co-operate. (Norwegian operational manager)

In the Retail Executive Management team we can sit for an hour discussing whether an office in Stockholm should be closed or not. I have no competence whatsoever or for that matter no opinion whether X [the Swede represented in the team] should close this office or not. (Norwegian operational manager)

This decision-making structure gave incentives for the executives only to comply with the other partners when it was in their own interests. As such, our findings suggest in line with Floyd and Wooldridge (1992) that the implementation of the top management's intentions became halfhearted. Moreover, the fact that there were four merger parties involved made reaching consensus even more challenging: "We are four [partners] that need to agree simultaneously, it is an exponential development. The number of solutions more than doubles when moving from two to four" (top manager).

Implementation Failure

The previous description shows that the operational and staff function management pulled the integration approach in opposite directions. These actions led the integration process into a destructive track that led to implementation failure for two reasons. First, the strategic intent communicated from the top management was

largely unfulfilled as the actual integration design was very unclear. Second, the way the design was operationalized drove costs in the functional staff area, but because the operational management refused to adapt to the central guideline and systems, the potential synergies were unrealized.

The research team observed that the strategic intent announced by the top management was substantially challenged by the diverse interests residing in the different middle management groups. From a relatively clear view of a symbiotic integration approach at the end of 2000, when all the four parties had been added, the approach 1 and 2 years later was very unclear and diffused. It is important to note that the design was not diffuse because the middle management had problems in making sense of strategic intent (Balogun & Johnson, 2004) but because the middle management groups interpreted the strategic intent in divergent ways that fitted their preferences. The realized design wavered between symbiotic, preservation, and absorption modes (Haspeslagh & Jemison, 1991). New charts were drawn continuously, and the organizational members, the Norwegians in particular, had problems in trying to navigate in the system:

I think the decision making structure is unclear in the retail banks. What is the authority of the steering committees, which issues should be raised in the retail executive management group, how do I sort out the issues regarding Norway without asking too many people? (Norwegian middle manager)

There have been two fundamentally different business policies communicated from the management. I have not discussed with the management whether it should be one or the other, it was left unsaid. (Swedish middle manager)

The intention from the top management to create a corporation not a federation seemed to be largely unfulfilled:

We have become a federation of businesses rather than a corporation. (Swedish middle manager)

We are heading towards an organization based on nationalities, and you need that to get the results, but you don't get a Nordea organization. Here you are running, at least in retail, Sweden, Denmark, Finland and Norway, and they are improving their results, but you get an extreme focus on the country. (Danish middle manager)

Moreover, the role of the central administration was very unclear: "I think most people see that the businesses are pulled apart and left is a confused central administration which does not know what to do" (Swedish middle manager).

However, the problem of the tension between middle management groups in operationalizing strategic intent was not only an unclear integration design but also created escalating costs. As mentioned earlier, the staff functions generated a lot of cross-border projects making themselves indispensable. This implied that staff functions were kept at premerger levels, and in some areas the capacity was even allowed to expand to keep up with all the work. "I think the staff functions have become too many. There is a tendency to put a layer of Nordic staff functions on the top of the national staff functions" (Norwegian middle manager).

The escalation of staff functions was especially noticeable for the smaller party, Norwegian Kreditkassen. Each of the four parties in the merger was expected to contribute equally into the merger independent of size.

We are a very little player and it is a great challenge for us, because we are 10% of Nordea, but we are 100% of the Norwegian structure, and that implies that in everything that is going on in Nordea we are participating 25%. That is an immense challenge with regards to keeping the costs down at the same time as we are participating and are trying to get some best practices and implement that into the Nordic way of thinking. (Norwegian middle manager)

In addition to the costs of maintaining double functions, there were also substantial costs related to participation in all these cross-border projects, and the traveling costs were escalating:

There is so much traveling going on. A number of the people who are left over have become constant travelers in God knows what, and no one has the overview of all the people that are traveling. (Norwegian middle manager)

All these people traveling all the time drain the organization. The costs of doing so are also enormous, and I allocate more of my time to traveling than to work. This is clearly an unbearable situation. The other day 14 people were gathered together to make a common intranet solution. . . . This could have been made within a 20-minute videoconference. . . . They use a whole day of work and each air ticket costs DKK\$5-7,000. Total costs of DKK\$2-300,000 just for one meeting. And this happens time after time. (Danish middle manager)

Despite all these efforts from the central staff functions to identify synergies and facilitate cross-border cooperation, there was little willingness for the line operations to adapt:

The large and tragic example is that we relatively early defined the need to—and this was an important task—to create a management information system. . . . We put the four administrative functions in the four countries together. . . . This database is now ready, 1½ years after we started. But the key problem is that there is an unwillingness amongst the people in the organization to adapt to common definitions, a common ground—and that is just too bad. (Swedish staff function manager)

In hindsight, one Norwegian staff function manager said in 2003 that maybe they drove it too far: “To put it bluntly, this was a dead end. . . . It was the strategy of good intentions . . . but we took it too far.”

Top Management’s Absence and Inaction

To understand why middle management intervention led to implementation failure, it is also necessary to look at how top management defined its role in operationalizing strategic intent. Whereas the top managers defined the strategic intent, they were largely absent in the implementation process. It was not until there was an external pressure on performance and a change of CEO that the top management started to make corrective actions changing strategic intent.

Our findings in line with Balogun and Johnson (2004) indicate that the top management was largely absent and inactive in the operationalization process, leaving it up to the middle management to implement the strategic intent. One middle manager said he was surprised by how the top management allowed the country managers to pursue their interests without intervention from the top management: "I am surprised by the lack of governance."

Moreover, top management chose not to provide financial incentives for cross-border cooperation in operational functions. Because these cross-border activities were to be financed on a national and not Nordic level, self-supporting units tended to focus attention on the results in these units, which in the case of Nordea were the different national retail banks. National retail executives realized the problem related to this as expressed by a Norwegian staff function manager: "We are falling back on the national structures all the time because you are saying: yes that particular activity is important, but I cannot raise the money for it in Denmark. There is no budget for Nordic activities."

In the case of the staff functions, top management allowed staff projects to flourish. One Finnish top manager said that with hindsight Nordea's top management should have been much tougher on the prioritization of projects and chosen one or two large projects per year to get both focus and capacity. When they chose not to prioritize, the demand for people in cross-border projects was allowed to flourish, creating substantial demand for people to be involved in cross-border projects:

Too many and too large changes are happening at the same time within a short time period. In addition to the actual integration work . . . the planning and budget routines are revised, balanced score card is introduced, there is so much happening at the same time. . . . You make it work by having large support organizations that have capacity to handle these issues. (Norwegian middle manager)

Based on these data, it is our conclusion that top management was largely absent in the process as described by Balogun and Johnson (2004), largely defining its role as being the initiators to change. One reason for this absence may have been that the top management adopted a *laissez-faire* approach to the merger as explained by one top manager: "To be honest, it was a wait-and-see attitude."

Another reason may have been that the top managers were more concerned about bridging the gap between the four nationalities, among other things, involving themselves into building a new identity for Nordea, as discussed by Söderberg and Björkman (2003).

The problem was that there were different perceptions among the staff function and operational managers as to how the strategic intent was to be operationalized, and these conflicting forces put the process on a destructive track. It was not until 3 years down the road that the top management chose to intervene, changing the content of the strategic intent into more cross-border integration in operational businesses.

Indeed, 3 years after the merger with the last Norwegian partner, there was still no indication that performance was picking up. The lack of financial results and failure to deliver on their promises were questioned by financial analysts as well as Nordea's own management:

There are no successful Nordic banks. In fact there is only one Nordic bank, Nordea, and that has been the greatest disaster in the Nordic countries the past three years. ("Ingen vellykkede nordiske banker," 2003, p. 13)

The management promised the earth, but they have failed to deliver ("Anbefaler slakt av Nordea," 2003, p. 6).

We used too much time! The stock markets don't have time to sit on their butts for two and a half years waiting for us to discuss whether we should choose one approach or the other. (Norwegian staff function manager, 2003)

At the same time, the Danish CEO chose to step down and a new CEO from the Swedish part of Nordea took over. The new CEO announced the need for a different approach in the integration:

Instead of running four different banks, with different corporate cultures, different leadership styles, and different ideas about how to do things, the CEO realized that it was necessary to unify the bank, and there was only one way to do it. Things had to be simplified. (Norwegian middle manager, 2003)

We made one big mistake, we tried to manage the complexity instead of eliminating it . . . we have had too many solutions, too many products, and too many processes. ("Nordea nær milliardsalg," 2003, p. 6)

Shortly afterward, the top management of Nordea started to take corrective actions limiting the amount of travel, downsized support functions, and standardized structures across national boundaries. In doing this, they changed the strategic intent of having strong and decentralized national units to an integration design much closer to absorption (Haspeslagh & Jemison, 1991):

We have announced a second wave which implies that we have to cut costs even more through locating specialized functions to one country and in some cases break down the national boundaries. (top manager)

In order to capture synergies and thereby reduce costs, we will have to break down the national boundaries. Especially within Retail will it be necessary to determine if there should be national organizations or a simpler kind of organization. (top manager)

By changing the integration approach, they altered their intention to have strong national presence through the means of country line managers. These managers were asked to leave their positions, and through a more centralized approach, the new strategic intent was set in motion.

DISCUSSION AND CONCLUSION

This article has demonstrated destructive dynamics of middle management intervention in postmerger processes. The study of the Nordea merger describes a situation where the top management's strategic intent was operationalized in divergent ways by two groups of middle management. Without intervention from the top

management in the implementation process, the result was implementation failure where the operationalized integration approach was diffuse and unclear and where the costs were escalating with adverse effects on performance. In the following, we show how our findings add to the literature on M&A and on middle management intervention.

The M&A literature has largely been preoccupied with factors that determine the choices of integration design at the top management level and has with few exceptions (Nahavandi & Malekzadeh, 1988, 1994) not been concerned with how the integration design is operationalized. Even though Haspeslagh and Jemison (1991, 1994) claim that the symbiotic mode is the most challenging integration approach to implement, there is scant research investigating how this particular design is operationalized at lower levels in the merged organizations. According to Haspeslagh and Jemison (1991, 1994), the main challenges in a symbiotic integration mode are to define a new strategic platform, be adaptive to the acquired company, and regulate the boundaries between the merging parties. Our research suggests that the symbiotic integration approach is not only challenging in terms of managing the horizontal relations between the merging parties but also poses challenges in balancing between groups that cut across the merging parties, more specifically, between groups that pursue integration and groups that want to preserve the organizations. In this article, we have presented this as the dilemma between pursuing differentiation and integration as the core dilemma in organizational design decisions (Lawrence & Lorsch, 1967a, 1967b). Our findings can be formalized in the following proposition:

Proposition 1: Because of the inherent tensions between differentiation and integration, the response to a symbiotic integration mode is more likely to elicit divergent responses among groups of middle management in operationalizing strategic intent than a preservation or an absorption mode.

Our findings suggest that one of the problems of the symbiotic integration mode lies in its unclear prescription as to how it is to be operationalized. Compared to preservation and absorption, where the prescriptions for integration are reasonably straightforward (Haspeslagh & Jemison, 1991, 1994), the operationalization of the symbiotic integration mode is much less clear, giving room for multiple interpretations. Hence, it is not surprising that the result is an unclear integration design. These findings can be formalized in the following proposition:

Proposition 2: Because of the inherent tensions between differentiation and integration, the operationalization of a symbiotic integration mode is more likely to result in a diffuse and unclear integration approach than a preservation or an absorption mode.

Moreover, when the strategic intent gives room for multiple interpretations in such an explicit way, an active role of the top management in the implementation process becomes even more important:

Proposition 3: Because of the inherent tensions between differentiation and integration, top management intervention is more important in the operationalization of a symbiotic integration mode compared to a preservation or an absorption mode.

This article contributes to the literature on middle management intervention and strategic management in proposing a more complex view of middle management intervention. The article suggests that literature on middle management should extend the focus from exploring the tensions between top and middle management to look at how diverse groups of middle management influence the operationalization of strategies. In the strategic management literature there has been little systematic empirical research on the influence of multiple groups during radical change (Huy, 2002; Rajagopalan & Spreitzer, 1997). This article is not concerned with whether the middle management facilitates or resists change (Biggart, 1977; Dopson & Neumann, 1998; Floyd & Wooldridge, 1997; Huy, 2001, 2002) but how an important strategic decision (the choice of integration design) is operationalized in divergent ways by two groups of middle management.

In line with the literature on middle management intervention (Biggart, 1977; Dopson & Neumann, 1998; Dopson & Stewart, 1990; Floyd & Wooldridge, 1992; Essex & Wyss-Flamm, 2005; Guth & MacMillan, 1986), we find that the operational managers act according to their own preferences. They strengthen the national boundaries, and they resist the adaptation of new and centralized policies and systems. Based on the response of the operational management, one could therefore be led to conclude that the problem of operationalizing strategic intent lies in its destructive role. In the same line of thinking, staff function management could be viewed as taking on a constructive role in promoting and facilitating change (Currie, 1999; Dent & Goldberg, 1999; Floyd & Wooldridge, 1992, 1994, 1997; Huy, 2001, 2002). Our findings suggest that we have to change our somewhat simplistic view of middle managers as either resisting or promoting change, not just because these findings may be context dependent (Balogun, 2003) but also because these forces can be present at the same time and in different groups of managers. The problem in the merger of Nordea was that two groups pulled the integration approach in opposite directions. The reason why middle management intervention was destructive therefore cannot be understood as resistance from the middle management but as the interplay between divergent responses. This can be expressed in the following propositions:

Proposition 4: Whether middle management intervention is constructive or destructive in the process of operationalizing strategic intent depends on how the interests of the different groups of middle management are aligned.

Proposition 4a: If the interests of the groups of middle management are convergent, the intervention will be constructive in operationalizing strategic intent if they facilitate the change and destructive if they resist change.

Proposition 4b: If the interests of the groups of middle management are divergent, the intervention will be destructive in operationalizing strategic intent regardless of whether they resist or facilitate the change.

We have pointed out that there were two reasons why the interventions from the two groups of middle management were destructive, leading to implementation failure. First, the different responses from the two middle management groups pulled the integration approach in opposite directions and led to a diffuse operationalization

of strategic intent. These findings are in line with Turnbull (2001), who finds that the dissemination of a message from the corporate level, in her case corporate ideology, resulted in mixed and confused responses. However, whereas she focuses on the individual responses among different groups of managers, finding six individual response types, our focus has been on divergent responses between two groups of middle managers. This finding can be expressed in the following proposition:

Proposition 5: When there are conflicting responses between groups of middle management, there is a higher risk of a diffuse operationalization of strategic intent than if the responses are convergent.

Moreover, we also found evidence that this diffuse operationalization of strategic intent had adverse effects on performance because there were substantial costs driving the integration projects but no gains realized. This can be formalized in the following proposition:

Proposition 6: When there are conflicting responses between groups of middle management, there is a higher risk of escalating costs than if these responses are convergent.

Whether the diverse groups of middle management are allowed to destructively intervene does however depend on how the top management defines its role in the process. Beside the horizontal tensions between middle management groups, we therefore need to direct our attention to how the top management defines its role in the implementation process. In line with Balogun and Johnson (2004), we found that the top management did not intervene in operationalizing strategic intent. Because the top management was largely absent, these conflicting forces were allowed to prevail, resulting in implementation failure. Based on our findings, we will therefore argue that top management intervention in implementation processes is particularly important when groups of middle management have divergent interests in operationalizing strategic intent.

Proposition 7: When there are conflicting interests between groups of middle management, there is a larger risk of implementation failure if the top management is absent than if they take an active role in the implementation process.

To what extent are these findings applicable to other contexts than the Nordea merger? First, the focus on middle management is highly relevant to all mergers to understand how strategic intent is operationalized. We know from other contexts of change that middle management plays a key role in implementation, and our research indicates that middle management also has a key role in mergers. Is it likely that the senior management stays absent in the implementation process? Here it is important to take into consideration that a merger is different from more ordinary change processes. In mergers, the top management focus is typically on managing the cultural differences between the merging parties (Buono & Bowditch, 1989), and it is therefore not surprising if top managers do not have their full attention on how the middle management operationalizes strategic intent. Moreover, is it likely that

the staff function managers would get as much room for steering the process in other mergers? Although the first to lose jobs and power are often staff functions, more top managers also seem to realize that there is a need for extra capacity to implement mergers. This extra capacity is typically present in staff functions, and to the extent that downsizing does not happen immediately, there may be a risk of the support staff taking control over the integration process.

This article represents a first step in trying to uncover the constructive or destructive tensions between middle management groups in operationalizing strategic intent in mergers. Evidently, more research is needed, and to test and further fine-tune the propositions, both longitudinal qualitative research and quantitative experimental research should be applied. Longitudinal process studies of mergers could explore which new groups are formed that cut across merging parties and identify the forces behind the formation of these groups. Furthermore, these studies should explore how symbiotic designs are operationalized in comparison to other designs and how top management and middle management groups interact in the implementation of strategic intent in mergers. Experimental research would be interesting in a context where different groups were given conflicting sets of preferences, studying the result on operationalized strategic intent and efficiency.

What could have been done to improve the integration process? It is reasonable to believe that the support functions' influence would have been dramatically decreased had there been fewer projects, more operational management capacity, and proportionally equal resources into the merger process. The operational management on the other hand would have had less room for operating as autonomous managers if the product managers had been more powerful, if the incentives were aligned with the Nordic goals, and if the decisions were a result of majority votes or dominance from one or two parties. Moreover, it is reasonable to argue that the top management should have taken a more active role in operationalizing strategic intent, particularly because the strategic intent in itself invited two different interpretations.

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