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# Linking leaders' identity work and human resource management involvement: The case of sociocultural integration in Chinese mergers and acquisitions

**Abstract** Chinese mergers and acquisitions (M&A) practice has witnessed a series of reforms since the 1980s, with considerable impact on human resource management (HRM) practices, acquisition types and working conditions. This study examines the sociocultural integration in M&A and HRM involvement in the acquisition of state-owned enterprises (SOEs) by privately owned enterprises in China using qualitative data from three M&A case studies. The research explores issues relating to firm ownership structure, party committee, leadership and value orientation using a comparative perspective to highlight the role of various factors in shaping the sociocultural integration process in M&A. The authors deploy identity theory to elucidate leaders' identity work in linking HRM activities, existing or emerging, that underpin this integration process. The findings shed important light on the influence of SOEs in private Chinese firms' M&A endeavors and the role of leaders' identity work and HRM involvement from a microfoundational perspective.

**Keywords:** identity work; HRM; leadership; sociocultural integration; Chinese M&A

## Introduction

Scholars have recognized the human side of mergers and acquisitions (M&A) as important antecedents explaining synergy realization, firm growth and M&A performance (Cartwright and Cooper, 1993b; Haleblian, Devers, McNamara, Carpenter and Davison, 2009; Larsson and Finkelstein, 1999). Research also notes that M&A can have a profound impact on organization members as a third-order change (Bartunek and Moch, 1987). As emotive events (Ashkanasy and Cooper, 2008; Huy, 2012), M&As can generate an inordinate amount of stress for employees on both sides of the transaction (Ager, 2011). Anxiety and role conflicts may engender a downward spiral at a time when it is vital to be working jointly and pulling in the same direction (Seo and Hill, 2005). Moreover, identity dynamics in M&A can profoundly affect the organizational change process. For example, the construction of a transitional identity may smooth organizational identity change during a merger (Clark, Gioia, Ketchen and Thomas, 2010). Human factors thus can significantly influence M&A performance (Gomes, Weber, Brown and Tarba, 2011, Sarala, Junni, Cooper and Tarba, 2014).

The influence of human factors in M&A is closely related to the sociocultural integration process. Researchers have highlighted the significance of sociocultural factors in the M&A integration process. For example, human resources management (HRM) practices play a critical role in managing culture clash during the postmerger integration process (Weber and Fried, 2011). Various HRM practices, including training, communication and employee retention, influence M&A (Weber, Rachman-Moore and Tarba, 2012). Organizational culture constitutes a central element affecting M&A integration processes and outcomes (Gomes, Angwin, Weber and Tarba, 2013; Vaara, Sarala, Stahl and Björkman, 2012). For example, using corporate culture analysis to identify and synthesize differences and similarities may facilitate the M&A process (Weber and Tarba, 2012). Leadership is a critical aspect that affects organizational change and employee reactions during M&A (Kavanagh and Ashkanasy, 2006).

Arguably, the field needs a more nuanced understanding of sociocultural factors in M&A from a microfoundational perspective, such as human resources flexibility (Sarala et al., 2014), leadership (Kavanagh and Ashkanasy, 2006) and identity ( Brown, 2014; Hodgkinson, 2013). Broadly defined, identity work 'refers to people being engaged in forming, repairing, maintaining, strengthening or revising the constructions that are productive of a sense of coherence' (Sveningsson and Alvesson, 2003, p. 1165). Mergers and acquisition research shows that managerial regulation and member identification can affect organizational identity changes (Empson, 2004). The dynamics of acquired firm employee reactions (Teerikangas, 2012) require skillful leadership in managing employees. Thus, leaders' identity work could substantially smooth the process and overcome challenges. What are the social mechanisms that leaders' identity work may manifest throughout the M&A process? This question prompts an urgent call to examine the role of leaders' identity work and HRM involvement that underpins the sociocultural integration process in M&A.

Recent research acknowledges varying HRM involvement in M&A, contingent on the type of M&A (Bagdadli, Hayton and Perfido, 2014). However, researchers have not clearly defined the linkage between leadership and HRM involvement; this topic awaits both theoretical advancement and empirical investigation. Specifically, how does leaders' identity work, in conjunction with HRM activities, affect the sociocultural integration in M&A? We aim to address this central theoretical gap with the present study.

Despite the growing significance of acquisitions in China's economy—in particular, of Chinese firms by multinational companies (MNCs)—an insufficient number of empirical studies have explored postacquisition strategies and their implications for HRM practices (Cooke, 2006; Cooke and Huang, 2011). China has witnessed a series of M&A reforms and transformations with regard to policies and practices (Peng, 2006). Chinese HRM has its own characteristics amid the nation's economic and institutional transformation (Warner, 2012; Zheng and Lamond, 2009). State-owned enterprises (SOEs) underwent a series of reform and restructuring exercises in the process of incorporating the concept of modern enterprise systems (Hassard, Morris, Sheehan and Yuxin, 2010). The decline of SOEs and emergence of privately owned enterprises (POEs) with entrepreneurial orientations has driven China's recent economic development (Nee and Opper, 2012). What then are the implications for HRM practices when private entrepreneurial firms acquire SOEs?

In this research, we use qualitative research methods to investigate three acquisition cases of SOEs by POEs in China. This article draws on several sources for its data, including interviews with 23 managers (both senior and middle-level). All interviews were conducted in China in Mandarin Chinese. Each one-to-one interview lasted from one to two hours. Access to these informants was through both personal and professional networks. We also drew on secondary data from government policy documents and reports and newspaper articles. These data provide an overview on several unique M&A-related aspects in China, and POEs in particular, a rapidly developing area in which knowledge and empirical research remains largely untapped.

The remainder of this article is divided into four main sections. The first section reviews the theoretical background on cultural integration, identity work and HRM in M&As and outlines Chinese HRM, firm ownership and M&A development. In addition, we propose a conceptual framework to guide our research design and efforts. The second section depicts our research methodology, including an overview of the cases and data collection and analysis. Section 3 discusses our findings and identifies the linkage between leaders' identity work and HRM practices that underpins the cultural integration from a microfoundational perspective. Section 4 concludes with a discussion of the implications, including theoretical contributions and managerial insights. This research contributes to a refined understanding of organizational cultural integration in M&A from a microfoundational perspective by identifying the role of leadership and HRM practices as sociocultural antecedents and the linkage between leaders' identity work and HRM practices throughout the pre- and post-M&A processes.

## Theoretical background

### *Sociocultural integration and HRM practices in M&A*

Mergers and acquisitions constitute an important corporate strategy for firm growth and expansion, though extant scholarship has documented its high failure rate (Cartwright and Schoenberg, 2006). The human side of M&A can play an important role in facilitating the M&A process and outcomes (Cartwright and Cooper, 1992), and an integrative approach by blending strategic, organizational and human resource perspectives on M&A might offer revealing insights to reconcile contradictory and inconclusive empirical findings (Larsson and Finkelstein, 1999). In this vein, the sociocultural perspective on M&A has gained momentum, which in turn may significantly advance theoretical understanding of such issues as human resources flexibility and knowledge transfer (Sarala et al., 2014), psychological impacts on individual employees (Cartwright and Cooper, 1993a), postmerger integration processes and M&A performance (Gomes et al., 2013), leadership style and talent retention (Zhang et al., 2014), sense-making and justice (Monin, Noorderhaven, Vaara and Kroon, 2013) and fear and knowledge transfer (Empson, 2001).

In particular, cultural influences can shed important light on the complexity of M&As. Stahl and Voigt's (2008) meta-analytical study suggests that (un)identified cultural variables can explain M&A processes and subsequent performance. Other studies investigate the cultural dimension in M&A, such as the effect of organizational and national culture differences on social conflict and knowledge transfer in international acquisitions (Sarala and Vaara, 2010; Vaara et al., 2012). Vaara, Junni, Sarala, Ehrnrooth and Koveshnikov (2013) show that attributional tendencies can largely explain M&A performance variation from a cultural perspective. Other scholars suggest that corporate cultural fit can significantly affect M&A performance (Weber, 1996) and that analyzing corporate culture can facilitate the M&A process by identifying and synthesizing differences and commonalities (Weber and Tarba, 2012).

Other research notes the important role of HRM practices in managing culture clashes during the postmerger integration process (Weber and Fried, 2011). Weber and Tarba (2010) indicate that to enhance M&A performance, acquirers should use HRM practices to develop appropriate integration capabilities. In the realm of cross-border M&A, HRM roles, in terms of resources, processes and values, embody the influence of strategic fit and national context on the integration state of cross-border M&A (Aguilera and Dencker, 2004). Marks and Mirvis (2011) also propose a conceptual framework to articulate how human resources can work with business partners in managing acculturation in M&A, identifying the actions that unfreeze current cultural mind-sets, move people toward the desired cultural end state and refreeze the desired culture. A recent systematic review on the impact of culture on M&A identifies a lack of understanding in terms of social mechanisms in the existing body of knowledge (Rottig, Reus and Tarba, 2013). This article seeks to fill this important gap by unpacking the cultural integration by juxtaposing adjacent literature streams of HRM, leadership and identity work in the context of Chinese M&As.

### *Chinese HRM, firm ownership and M&As*

Chinese HRM practices have experienced an evolutionary trajectory amid the institutional transformation (Cooke, 2009; Xing and Sims, 2012; Zheng and Lamond, 2009; Zhu, Thomson and Cieri, 2008). Since China's reform and implementation of more open trade policy in the late 1970s, foreign direct investment (FDI) has been a principal driver of its economic growth (Lau and Bruton, 2008). The flock of multinational companies (MNCs) has important bearing on HRM practices in domestic Chinese firms. Foreign-invested enterprises tend to adopt more standardized HRM practices, whereas SOEs need more localization due to their historical legacy (Lu and Bjorkman, 1997). In response, SOEs underwent a series of reform and restructuring exercises to incorporate the modern enterprise systems concept (Hassard et al., 2010). The end of the 'iron rice bowl' era generated an influx situation, in which Chinese HRM practices evolved (Ding, Goodall and Warner, 2000; Warner, 2012). To reduce costs and enhance productivity, SOEs were downsized substantially, engendering challenging questions with respect to surplus labor and HRM practices (Hassard, Morris, Sheehan and Yuxin, 2006).

The decline of SOEs and emergence of POEs with an entrepreneurial orientation largely accounts for China's recent economic development (Nee and Opper, 2012). Against the backdrop of transitional economies, the state plays an important role in the development of HRM in China (Cooke, 2011), such as its dominant influence on unions (Friedman and Lee, 2010, Zhu, Warner and Feng, 2011). Comparatively, SOEs possess hierarchical structures and relatively less efficiency (Boisot and Child, 1996, White, 2000), whereas POEs are more entrepreneurial in the pursuit of venture creation and wealth generation (Walder, 2011). Using a comparative perspective, Wang, Bruning and Peng (2007) reveal the variations of adopting Western, high-performance human resources practices among state-owned, private-owned and foreign-invested enterprises in China. Xing, Liu, Tarba and Cooper (2014) indicate that the ownership structure and organizational culture differences between SOEs and POEs can affect their HRM practices in Chinese overseas firms.

Before the 1980s, M&As in China occurred rarely, due to the constraints on foreign entry. The joint venture form was promoted in the 1980s, and wholly owned foreign enterprises were promoted in the 1990s. Chinese M&As only gained strength with this new FDI wave (Peng, 2006). Previous research has documented the driving forces and barriers for MNCs' SOE acquisitions and their HRM implications (Cooke, 2006). With regard to Chinese POEs involved in M&As, Cooke and Huang's (2011) study of U.S. high-tech firms' acquisition of Chinese POEs notes Chinese managers' high resistance to adopting sophisticated performance metrics, largely due to Chinese labor market factors and cultural norms. However, scant research addresses M&As between domestic Chinese firms, in particular when POEs acquire SOEs. The focal question for the current research therefore is to investigate POEs' acquisition of SOEs and the implications for Chinese HRM practices. When the organizational culture of the target firm deviates substantially from that of the

acquirer, what would the organizational cultural integration look like? What can facilitate or impede the cultural integration process?

### *M&As and leaders' identity work*

Research confirms that M&As can profoundly affect an organization's members as a third-order change (Bartunek and Moch, 1987). Often, they must change the very schemas that have helped them interpret and understand the change process (Gioia, Schultz and Corley, 2000). Organizational identity manifests dynamic characteristics as it emerges from processes in which organizational culture and stakeholders play influential roles (Hatch and Schultz, 2002). Gioia, Patvardhan, Hamilton and Corley's (2013) comprehensive review of organizational identity formation and change reveals that though scholars have conducted a rich body of conceptual and empirical work on organizational identity over the past three decades, only a small portion of it addresses identity dynamics.

The nascent development of identity work may significantly advance literature on identities in organizations (Brown, 2014; Sveningsson and Alvesson, 2003; Ybema et al., 2009) and leadership research (Gardner, Lowe, Moss, Mahoney and Cogliser, 2010). Broadly defined, identity work "refers to people being engaged in forming, repairing, maintaining, strengthening or revising the constructions that are productive of a sense of coherence' (Sveningsson and Alvesson, 2003, p. 1165). To crystalize a clearer construct (Suddaby, 2010), we distinguish the concepts of identity work, identity and identity building and outline the relationships among them. We argue that identity work has distinctive characteristics that differ from identity and identity building in several ways. First, identity work embodies a proactive and dynamic dimension carried out by individuals (actors) amid the identity construction process (Brown, 2014), whereas identity relates to the outcome or ostensible manifestation of the dynamic process. Second, identity work is essential to the identity-building process. Identity building relates to identity change and transformation by emphasizing the process perspective (Gioia et al., 2013), whereas identity work underpins the activities that enable the identity-building process. Third, rooted in social identity theory, identity in organizations can be observed from the different levels of analysis, including individual, organizational and institutional levels (Ashforth, Rogers and Corley, 2011). Consequently, identity work can be exercised across individual, organizational and institutional levels. For example, university scientists use identity work to preserve their academic role identity while engaging in commercialization activities (Jain, George and Maltarich, 2009), identity work is conducive to achieve organizational legitimacy (Brown and Toyoki, 2013; Sillince and Brown, 2009) and identity work may resolve the experience of institutional contradiction and marginalization (Creed, DeJordy and Lok, 2010).

Leaders' identity work is still a nascent field in scholarly inquiry (Ibarra, Wittman, Petriglieri and Day, 2014). By employing a psychodynamic perspective, research into leaders' identity work involves both conscious and unconscious processes in the development and maintenance of a leader's identity (Petriglieri and Stein, 2012). Furthermore, emotions can influence the social construction of a leader's identity in reconciling potential identity conflict with professional group identity (Croft, Currie and Lockett, 2015). Building on the social constructionist viewpoint, our focus lies in examining the linkage between leaders' identity work and HRM involvement and their influences on sociocultural integration in M&A.

Typicallly, M&As are difficult emotional experiences that create uncertainty, ambiguity, anxiety, insecurity, anger, frustration, stress and feelings of loss (Kusstatscher and Cooper, 2005; Sinkovics, Zagelmeyer and Kusstatscher, 2011). Psychological preparation is necessary for both pre- and post-M&A processes (Marks and Mirvis, 2001). Managing employees' anxieties and emotional experiences during major change is an important item in managers' toolkits to address contemporary organizational challenges in general and M&A in particular (Ashkanasy and Daus, 2002). Employee retention in M&A can trigger employees' emotional reactions, which in turn may result in important performance implications, such as knowledge transfer (Ahammad, Tarba, Liu and Glaister, 2014). Leadership in M&A is an important yet underinvestigated research stream in the sociocultural integration process in M&A (Junni and Sarala, 2014). For example, a recent study suggests that leadership styles can significantly affect the implementation of employee retention (Zhang et al., 2014). From a micro perspective, we argue that leaders' identity work can play an important role in assisting employees with the stress and emotion associated with M&A. In particular, it can smooth employees' emotional experiences, as a positive identity construction process involves building social resources and leaders' proactive engagement (Dutton, Roberts and Bednar, 2010).

### *A conceptual framework on cultural integration in M&A*

Drawing on the preceding literature review, we propose a conceptual framework to illuminate the linkage between leaders' identity work and HRM practices, as shown in Figure 1. When firm A acquires firm B, the two firms likely embody distinct organizational cultures, attributable to, for example, ownership structure. To facilitate the pre- and post-M&A processes, leaders from the acquiring firm should practice identity work for the target firm's employees. The leader's identity work is associated with various HRM practices throughout the M&A process. The HRM practices, in turn, can positively affect cultural integration.

Through HRM theoretical lenses, human asset specificity refers to unique knowledge, skills and abilities (KSAs) learned on the job (Lado and Wilson, 1994). Research has identified the importance of KSAs for teamwork and their HRM implications (Stevens and Campion, 1994). This KSAs perspective also has been investigated recently in the context of knowledge transfer in M&A (Sarala et al., 2014), suggesting its relevance and importance in the M&A setting. In this setting, HRM practices consist of communication, training, coaching, employee retention and other human resources–related activities (Gomes et al., 2011). Drawing from three cases of M&As conducted by a single firm in Italy, Bagdadli et al. (2014) suggest that HRM involvment in M&A varies to a significant degree, contingent on the type of M&A. Therefore, a nuanced understanding of HRM involvment in relation to leaders' identity work could significantly advance understanding of HRM's role in M&As. From a cultural perspective, organizational culture differences can affect the social conflict and knowledge transfer in M&A (Vaara et al., 2012). Trust and human resource challenges during the integration process in M&A also may explain the inconsistencies among empirical findings regarding the effects of cultural differences on M&A performance (Weber, Drori and Tarba, 2012). From a knowledge-based perspective, scholars propose leadership and relational human resources archetypes for managing knowledge flows that affect the postacquistion cultural integreation (Lakshman, 2011).

Building on microfoundational thinking in management and organization research (Barney and Felin, 2013), our conceptual framework highlights the microfoundation for sociocultural integration in M&A. As scholars suggest, understanding the microfoundation is of critical importance for management and organization studies, such as international business (Devinney, 2011), strategy (Foss and Lindenberg, 2013) and dynamic capabilities (Teece, 2012), among others. In particular, as scholars have urged (Sarala et al., 2014), our attempt to delineate the social mechanisms underpinned by microfoundational thinking may substaintially advance a fine-grained understanding of sociocultural integration in M&As. We pay particular attention to three HRM theory dimensions—employee KSAs, human resources practices and organizational culture—in the pursuit of the linkage between leaders' identity work and various dimensions of HRM[1].We use this theoretically grounded conceptual framework (Figure 1) as a guideline to design and carry out our research project.

Insert Figure 1 about here

## Research methodology

### *Research context*

Chinese M&As have a relatively short history amid the 'corporatization' process and the development of a market-oriented economy (Hassard, Morris and Sheehan, 2002). In addition to the state-enterprise reform and privatization process, Chinese firms could be acquired by MNCs (Cooke, 2006). However, only recently have POEs been able to acquire SOEs. The institutional transformation and regulatory changes have significantly affected M&A activities in China (Cooke and Huang, 2011). Given the regional differences in China, there are both national and regional regulatory M&A changes. Figure 2 delineates the changes associated with our three cases from 2000 to 2012.

Insert Figure 2 about here

### *Research design and qualitative method*

The nature of our research question determines the appropriate qualitative research method for this study. Research encourages using a qualitative case method in studying organizational culture integration in M&A to obtain a nuanced understanding of this complex phenomenon (Cartwright, Teerikangas, Rouzies and Wilson-Evered, 2012), and several previous M&A studies address various issues that arise following acquisitions (e.g., seller's view of the acquisition process, Graebner and Eisenhardt, 2004; explorations of the dynamics of pre-acquisition employee reactions in the acquired firm; the role of integration managers, Teerikangas, Véry and Pisano, 2011; trust asymmetries in acquisitions of entrepreneurial firms, Graebner, 2009; cultural clashes in high-tech M&As, Drori, Wrzesniewski and Ellis, 2011; organizational justice in post-acquisition integration processes, Melkonian, Monin and Noorderhaven, 2011; Monin et al., 2013). Therefore, consistent with previous research and owing to the interpretive nature of the study, we decided to adopt a case study method, together with in-depth semistructured interviews.

In addition, we use the storytelling method to solicit stories and narrative accounts from business leaders, with the purpose of obtaining a comprehensive understanding of leadership behavior (Shamir and Eilam, 2005). This method can reveal nuances in complex phenomena, such as intercultural influences on managing employees of Chinese firms (Xing et al., 2014). It has been used to study cross-border M&A (Søderberg, 2006, Vaara and Tienari, 2011) and postmerger integration (Almor, Tarba and Benjamini, 2009).

***Data collection and analysis***

We chose three M&A cases that represent POEs acquiring SOEs. Table 1 presents details about the case companies, noting the acquisition time, founding year of the SOE, changes of performance indicators pre- and post-M&A and business areas.

Insert Table 1 about here

We obtained our data through in-depth interviews with 23 Chinese managers, selected from the both acquirer and target firms, who witnessed the entire M&A process, some of whom currently work in the acquired firms. As Table 2 shows, our interviewees range from chief executive officer (CEO) to head of the human resources department. We made contact with the Chinese managers through our professional and personal networks and populated the sample using a snowball approach.

Insert Table 2 about here

Each interview consisted of two parts. First, we asked about the informants' work experience from the beginning of the M&A to the present. For example, we asked, 'We would like you to tell us about your work experience on M&A, all the events and experiences that have left a deep impression and are important for you on this M&A case', or 'We want you to tell us about organizational culture difference, HRM activities and change during the M&A'. We noted important topics covered in the narration and identified points that needed clarification or expansion, such as how they handled communication with employees, organizational culture change during M&A, the influence of SOE organizational culture on POE during the M&A process and the role of leadership behaviors during the M&A process. The first part ended when the interviewees indicated that they had no more to say. Second, we reminded the interviewees of some of the points they had raised and asked for clarification, focusing mainly on managers' leadership and various HRM activities.

We ensured the quality and trustworthiness of our data by triangulating them with publically available information and performing a rigorous analysis (Gibbert, Ruigrok and Wicki, 2008; Pratt, 2009; Siggelkow, 2007). We adopted the comparative coding method to analyze the narrative data. During the first open coding stage, we identified types of HRM activities. In the second stage, we classified the interviewees' HRM activities into four categories, linked with the leader's identity work: (1) exploring target identity, (2) claiming target identity, (3) maintaining target identity and (4) accommodating both acquirer and target identity.

Furthermore, we situated these HRM activities according to conceptual lenses from HRM theory, namely KSAs, HRM practices and culture.

## Findings

### *Leaders' identity work and HRM practices in M&A*

In this section, we elucidate the role of leaders' identity work in juxtaposition with HRM involvement, as it underpins the sociocultural integration observed from our empirical evidence. We present four mechanisms—exploring, claiming, maintaining and accommodating—that facilitate the sociocultural integration in M&A by linking leaders' identity work and human resources dimensions—namely, employee KSAs, HRM practices and culture. In the following subsections, we use our empirical findings to illustrate our argument and discuss leaders' identity work throughout the pre- and post-M&A phases.

### *Exploring identity work*

In the pre-M&A phase, leaders' identity work involves exploring the acquired firm's identity, including organizational culture, employees and value orientation. This type of identity work relates to the following HRM activities: (1) due diligence on the target firm's human resources and (2) communication with target firm's employees to understand organizational culture. Through an HRM theoretical lens, performing due diligence on human resources aims at obtaining a more comprehensive understanding of employee KSAs. The knowledge base, skill sets and individual employees' abilities constitute the fundamentals that bolster both planned and emergent activities throughout the M&A process. For the acquirer, cultural integration can profoundly affect the outcome of the M&A transaction. Beyond the calculated accumulation of physical assets, sociocultural integration in terms of channeling cultural differences and resolving potential cultural conflicts can determine the M&A's success. Therefore, we identify explicit communication with target employees, with the purpose of understanding the target firm's organizational culture as an important HRM practice.

Drawing on our data analysis, we summarize the organizational culture differences between SOEs and POEs in Table 3. These differences lay the foundation for our investigation on sociocultural integration. According to our data analysis, the entrepreneurs of the POEs recognized the SOE organizational culture and acknowledged its advantages over POEs in uniting employees and enhancing employee loyalty. Therefore, POE leaders saw the benefit of conducting systematic due diligence of employees' KSAs to understand the organizational culture of the SOE.

Insert Table 3 about here

Human Resources Vice President Kevin (Case A), shared his view:

> SOE signals a strong 'family' concept and encourages everyone to protect this big family. Only when the family exists could you have the space to live. I used to work for another large SOE, in charge of HR before working in this POE. I deeply feel that

> SOE tends to cultivate a strong work climate, within which colleagues keep a harmonic relationship, and everyone looks like living in one family. By contrast, POE focuses relatively less on people's relationship, much less than that of SOE.

James, Vice President (Case B), elaborated:

> I personally went to [the] target firm and host[ed] many meetings with their employees. During those meetings, we discussed the vision and benefits that this acquisition may bring. Through such an approach, I intend[ed] to send the message that we, as acquirer, pay close attention to the target's request and expectation. We did not routinely impose our organizational culture and management style. Now looking back retrospectively, we are delighted to have taken such a strategic action. We [kept] almost the entire technical team and maintain[ed] many management styles. It is our purpose to let everyone see the future prosperity and his/ her position in charting a promising blueprint.

Because HRM activities can lead to potential conflicts between acquirer and target due to different organizational cultures, it is imperative to implement due diligence of human resources. In doing so, the acquirer can assess the target employees' KSAs before deploying the appropriate HRM practices. Furthermore, existing employees' KSAs can lay the basic foundation, and employees can enhance their capabilities and flexibility in dealing with a different organizational culture by deepening mutual understanding and communication.

***Claiming identity work***

Next, the acquirer firm leader claims an identity to stabilize the emotional experience of target employees. Our findings indicate that the associated HRM activities include (1) recognizing the value of employees from the target firm and (2) willingness to deliver employees' expectation. Through a human resources theoretical lens, these HRM activities align with understanding and leveraging employees' KSAs. Value creation and synergy potential realization largely result from employees' knowledge base, skills and experience. However, employees' KSAs need to be proactively activated. Target employees' doubt or hesitation can significantly hinder the firm's exploitation of their KSAs. Thus, when leaders claim identity work, it enables the psychological preparation of target employees in the pre-M&A phase (Marks and Mirvis, 2001).

Nick, Senior Engineer (Case C), elaborated:

> We made extensive preparation in cultural integration to avoid the lack of readiness for [the] target's employees from a psychological perspective. For the people who work in [the] SOE, they perceive themselves as master of the organization, while the people who work in [the] POE see themselves as employees working for the owner of the company. What we tried to do is to eradicate such [lack of readiness] from their role transition.

Because SOE and POE organizational cultures differ significantly (Xing et al., 2014), a discrepancy in employees' value orientation was evident. If the SOE's culture was rejected, it

could have enhanced employees' feeling of loss or set them emotionally against the POE's management style. Thus, the acquirer needs to communicate clearly to ease the fears of the target firm's employees. Through due diligence on human resources and communication with target employees, the management team can not only engender a deep understanding of target organizational culture but also transcend the acquirer's image to gain target employees' trust and confidence to work together after the M&A.

Therefore, claiming identity requires leaders' proactive involvement to understand the target firm's status quo and convey a positive message to address employees' emotions. In Case C, the target firm established a dedicated cultural integration task force consisting of management teams, middle managers and university professors. A Vice President of Human Resources from the acquirer firm, a prominent member of this cultural integration committee, shared:

> Our cultural integration did not wait until the acquisition deal signed off. We prepared three phases—namely, preparation, integration and consolidation. In the preparation phase, our cultural integration committee directly reported to the CEO about our progress and updates.

The cultural integration committee contributed to the M&A integration process by stabilizing the change process and addressing employees' emotional responses. An IT Director from the target shared the following:

> Actually, before the M&A, the acquirer visited us to communicate their intention. This M&A taskforce team analyzed the feasibility, value creation potential and integration process. The CEO of [the] acquirer also visited us frequently to inquire [about] the work progress and difficulties or potential obstacles. So, right before the M&A, we … sensed the hope and prosperity from this M&A.

In resonating with the role of communication, Park, a Human Resources Manager (Case B) shared:

> Through communication, cultural integration firstly can be seen as building a 'bridge' linking the two firms together to facilitate one side to learn and understand the other side's value orientation, belief system, organizational routine, plan and implementation to achieve the strategic goal of the focal M&A.

Claiming identity and effective communication can help both firms construct a shared vision. This shared vision helps employees recognize the value creation potential of integrating target employees into the combined entity. Thus, employees' KSAs may be leveraged to the extent that employees are willing to collaborate. Without employees' emotional buy-in, static KSAs cannot be mobilized and utilized in sociocultural integration process. Over time, target employees' perception may change from 'their company' to 'our company', and target employees' distrust and confusion can be eliminated, thereby laying a solid foundation for mutual understanding and future collaborative work after the M&A. Furthermore, claiming a shared vision can affect the organizational climate beyond the focal M&A case. From a

strategic development standpoint, the combined entity after M&A can cultivate a unique organizational culture and shared vision, which may, in turn, enable the entire firm to design a long-term plan.

***Maintaining identity work***

Leaders' maintaining identity work resembles the distinctive organizational cultures of both POEs and SOEs. The SOE emphasizes a 'family' culture in which employees are inclined toward relationship building and maintenance among peers. In contrast, the POE mainly focuses on workplace tasks and a profit-oriented culture; the role of *guanxi* among peers is relatively neglected. Our analysis uncovers revealing findings of cultural elements. The SOE's organizational culture seems conducive to enhance employees' loyalty and commitment to organization. Our analysis also shows that the POEs tended to selectively maintain the SOEs' cultural elements. In other words, the SOE's culture is not merely constrained to the acquisition target itself but is the 'bright side' that can be disseminated to the whole organization after the acquisition. The spread of the SOE's culture may increase mutual understanding among employees while facilitating the process of building a harmonious workplace atmosphere as a whole.

Jim, Human Resources Manager from the acquirer articulated (Case A):

> We always keep an eye on internal cultural or social activities. Every week, there are regular sport events. In addition, we held regular outings and competitions for employees. These cultural activities were kept after acquisition. In addition, we enrich these activities according to new situation from acquirer. Employees can obtain better understanding among each other through these activities, and simplify communication.

A key concept that occurred repeatedly in our analysis is the SOE's 'family-oriented culture', in which employees are recognized as 'masters'. Employees' view of the firm as family closely links individual employees' careers with the firm's fate. Furthermore, the SOE's culture may mitigate the relational divide between individual employees and improve employees' firm loyalty. Typically, SOEs pay attention to employees beyond their workplace, including their family members, personal life and social activities.

Tim, Vice President (Case C), shared how the acquirer maintained the SOE's activities:

> In building organizational culture in [the] SOE, there are many internal social and cultural activities. After acquisition, we both maintain and spread these activities among our employees. Through these cultural and social activities, employees' after-work life can be largely enriched. In addition, employees may know each other better to cultivate a lively, united and relaxed cultural atmosphere.

John, Human Resources Director (Case C), elaborated on some specific activities:

> Every quarter, we organize our employees to [go on an] outing or department lunch with [a] dedicated budget. Learning from the acquisition target, the whole group now holds public speech competitions, basketball and football matches [and] invite

> individual departments or subsidiaries to compete. As [an] amateur athlete, our CEO constantly engaged in these sport competitions. I think in the areas where no conflict exists between acquirer and target, we maintain target organizational culture, respect and leverage the assets of SOE's culture.

Henry, CEO (Case A), explained how the acquirer cultivated a family culture, originally from the target:

> We benefit from cultivating a family culture, mainly because it can coherently unite employees and create a feeling of belonging. We inherent the … benefits from target. For instance, [for] employees' birthday, marriage anniversary or having a child, our company will send some gifts. [Recently], our accountant Rachel gave birth to [twins, and] our firm chose a baby carrier for her. These details exemplify [the] firm's care for our employees. This is largely influenced by family culture.

During the maintaining identity phase, the leadership role was embodied in the POE's leader recognizing and maintaining the family-oriented culture from the SOE and transferring it to the POE. As the aforementioned evidence indicates, a family-oriented culture helps employees recognize the firm as a family and to view themselves as family members and consequently enhance their feelings of belongingness. The SOE's organizational culture encourages employees to perceive themselves as 'masters', which in turn can improve their proactive work behavior. From the acquirer perspective, the POE is inclined to retain SOE organizational culture through the leaders' maintaining identity work.

In addition to the SOE's family culture, the POE tends to maintain the political party culture after acquisition and establish its own committee to organize party members to learn politics. By incorporating party culture during the SOE's sociocultural integration, the POE leaders' maintaining identity work resonates with the recognition of party members' identity. Mike, Vice President (Case B) from the acquirer, explained:

> [The] SOE's party committee was maintained, and we have [a] dedicated department in charge of party activities. Every year, this department regularly organizes party members to visit historical places, such as Yan'an, Chairman Mao memorial, to learn and strengthen [their] understanding of party history and party mission. Party culture is a signature element of the SOE, and it plays the important role in solidifying the organizational culture.

Our analysis suggests that selectively maintaining identity, especially family culture and political party culture, can help private entrepreneurial firms absorb the valuable elements from SOEs. In so doing, SOE employees' morale and commitment to the organization can be not only kept but enhanced, and this can influence the whole new POE. Leaders' maintaining identity work resonates with the cultural dimension of HRM involvement in M&As. It requires leaders' active participation and involvement to signal, initiate and implement appropriate HRM activities. In particular, the party culture and family culture necessitate leaders' maintaining identity work to smooth the sociocultural integration in M&A.

### *Accommodating identity work*

As the M&A progresses, it is necessary to adjust the SOE's weaknesses as well as improve the POE. Because of China's historical planning economy, SOEs are associated with low efficiency, and typically, employees do not feel pressure to survive; egalitarianism is still prevalent. Therefore, leaders' identity work must accommodate both firms' legacies to generate a unique culture that can profit both the acquirer and target. To help the SOE cultivate a new perspective on the organizational culture, the POE shared several of its HRM practices, including recruiting, training, employee appraisal and career promotion.

Organizational culture develops over time as the firm matures, and employees consciously or unconsciously internalize it. It is manifest in everyday, routine work and embedded in employees' work spirit, which in turn guides their work behaviors. Employees feel comfortable and confident in a familiar organizational culture, and a new one can change the existing one dramatically.

In the process of consolidating sociocultural norms, forming shared values is vital (Zaheer, Castañer and Souder, 2013). Against the backdrop of leaders' accommodating identity work, new employee training can help inculcate the concept of corporate norms and HRM. Joshua, IT Director at the Case A acquisition target shared:

> After acquisition, we establish[ed] systematic corporate and institutional norms. These norms embody the shared corporate value…. Simultaneously, we use[d] corporate training to immerse employees into the new organizational culture. Today, our corporate and institutional norms are concise and simple. Complicated regulation can only curb employees' initiatives and creativity.

Furthermore, William, Vice President of Personnel Services of Case B's acquisition target, emphasized the role of training:

> We use training to facilitate organizational culture integration. On the one hand, employees from [the] target were sent to [the] acquirer to experience [its] organizational culture and corporate value; on the other hand, we evaluated the cultural characteristics of these two firms and discerned both commonality and difference. [The] acquirer sent high-performance employees to [the] target to communicate their corporate value and professional practices; at the same time, acquirer employees discussed jointly with their counterparts in the target, to explore the appropriate culture and implementation plan after acquisition. In so doing, employees from both sides … got involved.

In addition, leaders' accommodating identity work enabled the SOE to reshape its corporate image to match that of the POE. Paul, director of Personnel Service from Case A's target firm, notes:

> To increase competitive advantage, [the] acquirer helped us to reshape the corporate image, including technology and operational efficiency. For instance, we hired

> professional advertising agency to design [a] new logo and change employees' uniforms.

The leaders' accommodating identity work reinforced the shared values between acquirer and target so that a new organizational culture emerged. Gradually, the less favorable assumptions and operational concepts were challenged and replaced. Both acquirer and target employees internalized new, common behavior guidelines.

After the POE acquired the SOE, the POE established a new organizational structure, and institutional norms were realized through sociocultural integration. These explicit and implicit norms can both enable and constrain employees' psychological responses and behaviors, which in turn may affect corporate strategy implementation after M&A. Our analysis indicates that leaders' identity work is critical during sociocultural integration in M&A, in combination with varying degrees of HRM involvement. Combined with HRM practices such as training, leaders' identity work helps employees from both acquirer and target form a shared vision and value orientation to guide their behaviors.

Insert Table 4 about here

Table 4 summarizes the leaders' identity work and HRM involvement throughout the M&A process. Leaders' identity work consists of exploring the target company's identity and claiming to secure staff during the pre-M&A phase; during the post-M&A phase, they maintain the target company's identity and 'accommodate' the two companies' identities. We identified eight HRM activities associated with leaders' identity work along the M&A process. In particular, we allocate these HRM activities along the theoretical lenses of HRM theory, namely KSAs, HRM practices and culture, to elucidate the variation of HRM involvement in sociocultural integration in M&A, in conjunction with leaders' identity work.

## Discussion

### *Theoretical contributions*

This research contributes to M&A sociocultural integration literature by (1) taking a comparative perspective on ownership structure and cultural differences, (2) examining the role of leaders' identity work in managing the sociocultural integration process and (3) identifying the variation of HRM involvement in addressing sociocultural integration in M&As. Extant research has largely acknowledged cultural differences, including national and organizational culture, and their implications for M&As, such as knowledge transfer, employee retention and organizational performance (Zaheer et al., 2013). However, little work addresses the social mechanisms that underpin the sociocultural integration process in M&As. In line with microfoundational thinking and building on the argument that HRM involvement in M&A can vary greatly (Bagdadli et al., 2014), our findings show that different types of leaders' identity work can play important roles throughout the M&A process in association with various HRM activities. Our study contributes theoretically to

identity work literature by offering an initial attempt to bridge the identity work and HRM literature streams.

Leadership can affect organizational culture and individual acceptance of change during a merger (Kavanagh and Ashkanasy, 2006). Using the human resources perspective (Sarala et al., 2014), we show that during the M&A process, HRM activities must align with different types of leaders' identity work—in particular, KSAs, HRM practices and culture. Our research also closely examines the role of organizational ownership in affecting organizational culture and sociocultural integration. Our findings demonstrate the plausible variations of cultural integration and its implications for M&As in emerging economies. We find that SOEs' culture components can contribute to POEs by offering resources to compensate for the weaknesses in the POEs' existing organizational culture. In so doing, our research lends support to the hybrid organizing concept (Battilana and Lee, 2014), in the context of M&A and strategic partnership in general.

In addition, our research contributes to broader literature on HRM and strategic partnerships in emerging economies by examining POE acquisitions of SOEs in China. Our findings add to the understanding of the 'context matters' conversation (Child and Marinova, 2014). Our research emphasizes the ownership structure and organizational culture and its implications for M&A sociocultural integration in emerging economies and thus expands extant empirical findings, which are largely based in a Western context. Trust development plays a critical role in Chinese business environments (Child and Möllering, 2003). Our findings echo such an approach. Therefore, our research is among the first to identify the role of leaders' identity work and HRM involvement from a sociocultural perspective in M&As. Moreover, we provide empirical evidence that POE leaders address sociocultural integration differently throughout the M&A process. Our findings emphasize the joint influences of leaders' identity work and HRM involvement in shaping sociocultural integration throughout the M&A process. Furthermore, our study reveals the linkage between leaders' identity work and HRM involvement post-M&A by articulating the role of human resources (Marks and Mirvis, 2011).

Recent research has begun to emphasize the importance of the microfoundation in organization and management theory (Barney and Felin, 2013). Our study extends this line of reasoning by offering empirical evidence and a contextualized understanding of leaders' identity work and HRM involvement in sociocultural integration in M&A. In the context of a POE acquiring an SOE, we extend prior M&A work in emerging economies and suggest leaders' identity work and HRM activities as important microfoundations from which future researchers can extend the body of knowledge on the sociocultural perspective in M&A.

### *Managerial implications*

Our findings yield important implications for managers considering M&A. In practice, a postmerger integration office is often responsible for the M&A process (BCG, 2012). The reasons are myriad, including tapping into learned practices and routines from M&A experience, being dedicated to the M&A process and providing a structured organizational (re)design (Greenwood and Miller, 2010). Moreover, most Western firms value appropriate strategies to enhance their M&A capabilities; however, these factors might not be applicable

in emerging economies, given their relatively little experience and changing institutional environment.

Our study shows that when firms lack a structured approach to M&A, leadership can greatly influence the M&A process and outcomes, and eventually value creation activities. Furthermore, our results demonstrate that leadership alone is not enough; corresponding HRM activities that align with leaders' identity work are critical to carry out leaders' vision and the M&A's strategic intent. We conclude that both leadership and HRM involvement are conducive to smoothing the M&A process and facilitating sociocultural integration. Employees' KSA warrants the recognition and activation of due diligence through HRM, where appropriate HRM practices are requested of the leader's identity work. Our study shows that the organizational culture needs a certain degree of sensitivity and attention from the leader, during the M&A process. Some existing HRM practices might be replicated; others emerge alongside the managers' practice (Gosling and Mintzberg, 2003), during the M&A process. We show that such a mixture of HRM practices requires leaders' flexibility and agility (Doz and Kosonen, 2010).

Our study indicates a pathway when companies face the problems of rapid growth (e.g., lack of organizational structure, entrepreneurial orientation). Specifically, from a firm growth perspective, organizational structure is necessary to accelerate the growth trajectory (Davila, Foster and Jia, 2010). Conventional wisdom suggests that POEs are efficiency driven and market oriented. Therefore, SOEs should learn and absorb POEs' culture to enhance performance after the acquisition. However, POEs' organizational structure might not be well developed in places. Acquiring an SOE offers POEs the opportunity to precipitate the firm's development and growth. Our findings indicate that this goal is especially important when the SOE has a historical legacy and cultural components that could benefit the combined entity.

### *Future research directions*

Our study focuses on linking leaders' identity work and HRM involvement when a POE acquires an SOE in China. Several potential further research avenues result. First, researchers could focus on similar M&A cases in other emerging economies to determine whether our results generalize beyond the current empirical setting (Tsang, 2014). Second, in addition to the emotional dimension and its implications, further research could investigate other potential associations between leaders' identity work and M&A integration patterns in post-M&A conditions (e.g., Marks and Mirvis 2011). Researchers could develop a more nuanced picture of employees' emotional responses by linking them to certain M&A conditions, such as bankruptcy and extremely stressful situations. We suggest an organizational psychological perspective, including organizational health and resilience (Cooper, Flint-Taylor and Pearn, 2013; Quick, Macik-Frey and Cooper, 2007). Third, our study on organizational culture is closely related to organizational ownership. However, a wide range of sociocultural factors could moderate the effects of organizational ownership, such as leadership style. Xing and Sims (2012) provide some interesting thoughts on how traditional Chinese culture can influence leadership behaviors; studies could assess various traditional cultures and their

influence on leaders' identity work and sociocultural integration in M&A. Authentic leadership theory (Gardner, Cogliser, Davis and Dickens, 2011) could shed important light on future research endeavors, given the close interaction between leaders' identity work and HRM involvement. Fourth, a worthwhile extension would involve investigating leadership and HRM practices when emerging market firms acquire overseas companies (Liu and Woywode, 2013) and the consequences for sociocultural integration.

## Conclusion

This research delineates the linkage between leaders' identity work and HRM involvement as antecedents of sociocultural integration in M&A from a process perspective. Using Chinese SOEs acquired by POEs as an empirical setting, our study articulates the mechanisms of leaders' identity work—exploring, claiming, maintaining and accommodating—that underpin the sociocultural integration in M&A. We explicate HRM involvement in conjunction with leaders' identity work throughout the M&A process from a microfoundational perspective. Our research suggests that leadership alone is not enough to achieve sociocultural integration in M&As; rather, a combination of leaders' identity work and appropriate HRM activities can enable and facilitate the M&A process and sociocultural integration. Furthermore, our findings can shed important light on organizational culture and ownership differences in Chinese firms. Amid the increasing importance of emerging market firms' globalization trajectory, a nuanced understanding of Chinese firms, including organizational culture, leadership and HRM practices, can better prepare managers and business leaders to deal with Chinese organizations at large more effectively and efficiently. We hope our study stimulates intellectual conversation on sociocultural integration in M&A from a micro perspective.

Footnote

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## Table 1. Overview of case companies

| | Case A* | | Case B | | Case C | |
|---|---|---|---|---|---|---|
| | Pre-M&A | Post-M&A | Pre-M&A | Post-M&A | Pre-M&A | Post-M&A |
| Acquisition time | 2009 | | 2007 | | 2010 | |
| Founding year of target firm | 1958 | | 1958 | | 1939 | |
| Number of employees** | 12000 | 15000 | 5000 | 7000 | 8000 | 15000 |
| Market share** | 30% | 50% | 15% | 21% | 35% | 48% |
| Annual net profit** | –4.5 million pounds | 11.3 million pounds | 0.2 million pounds | 4.46 million pounds | –0.34 million pounds | 17 million pounds |
| Business areas | Variety of rebar, round bar, angle, automobile spring, pipe and so on | | Iron and steel smelting, steel, cement and so on | | Chemicals such as caustic soda, polyvinyl chloride, polyether, trichlorethylene, chlorobenzene and other chemical products | |

*This case overview depicts the information of the target firm. Pre-M&A denotes the acquisition year, and post M&A indicates 2013.

**The performance indicators represent the changes of target firm comparing pre- and post-M&A.

**Table 2. Interview details**

| | **Interviewees' Position** | **Number of Interviewees** |
|---|---|---|
| **Case A** | Acquirer：Director of Human Resources, Vice President of HR, CFO, CEO<br><br>Target：Director of Human Resources, IT Director, Chief Engineer | 7 |
| **Case B** | Acquirer: Vice President of Human Resources, Vice President of Corporate Strategy, Human Resource Manager, Managing Director<br><br>Target: Public Relation Manager, Director of HRM, Vice President of Personnel Development, CEO, Office Manager | 8 |
| **Case C** | Acquirer：Human Resources Manager, Vice President, Assistant to CEO, Operational Manager<br><br>Target: Chief Engineer, Director of HRM, Vice Director of CEO office, Public Relations Manager | 8 |

**Table 3. Organizational culture differences between POEs and SOEs**

| | POE | SOE |
|---|---|---|
| Leadership style | - Given China's short history of POE, entrepreneurs mainly steer firm development.<br>- Entrepreneurs have strong influence, and their thoughts and behaviors are deeply embedded in the firm's DNA, even after he/she serves as chairman. | - Deeply influenced by Confucianism (i.e., relational orientation, trust in leaders and appointing close subordinates or even relatives), which is largely manifested in individual career development and promotion.<br>- In corporate reform, employees tend not to mention individual options or thoughts that would affect the effectiveness of organizational change and development. |
| Party culture | N/A | - The Chinese political economy and its characteristics have imprinted the party culture on the SOE.<br>- In managing SOEs, the party has the ultimate decision-making rights in leading organizational development and strategic direction.<br>- Many SOEs established a dedicated party department that is directly in charge of organizational culture and has strong political influence. |
| Hierarchy | - The employment of talent largely hinges on personal relationship. Close friends or relatives are given preference.<br>- No systematic HRM system is present in entrepreneurial firms | - Bureaucracy and clear hierarchical relationship embracing the practice of 'respect to leaders' and 'follow the command'.<br>- Ultimate compliance to leader could obstruct employee's initiatives and creativity. |
| Corporate target | - Aiming for profit maximization | - Emphasizing harmony at the workplace |

| | | |
|---|---|---|
| | | - Employees pay attention to relationship building rather than profits; thus, competition spirit is lacking among employees and individuals tend to avoid responsibility |
| Corporate value | - Corporate value echoes the founder's will and vision.<br>- The survival test that POEs must continually contend with is reflected in corporate value | - Egalitarianism is deeply influenced by Confucianism<br>- Embracing the positive impact of an exemplary figure that might cultivate unique corporate value (e.g., 'The spirit of Iron Man, Mr. Wang Jinxi') |
| Employee mobility | - Employee turnover is high in POEs; thus, it is difficult for employees to inherit the organizational culture | - Permanent job policy that cultivates an atmosphere of 'viewing firm as family' and improve employees' loyalty |

Notes: We collected our data from SOE managers. Some of these managers had previously worked for the acquirer (POE), and after acquisition, they were delegated to work in the target (SOE).

**Table 4. Leaders' identity work and HRM involvement throughout the M&A process**

| ***Leader's identity work*** | ***HRM activities*** | ***Dimension of HR*** | ***M&A phase*** | ***Selective empirical evidence*** |
|---|---|---|---|---|
| Exploring target identity | Due diligence on human resources | Employee KSA | Pre-M&A | I personally went to target firm and host many meetings with their employees. During those meetings, we discussed about the vision and benefits that this acquisition may bring. Through such venue, I intend to send the message that we, as acquirer, pay close attention to the target's request and expectation. We keep almost the entire technical team and maintain many management styles. It is our purpose to let everyone see the future prosperity and his/ her position in charting at promising blueprint. (Deputy General Manager from Acquirer)<br><br>Before M&A, we already conducted a systematic due diligence to understand the firm's organizational culture. (Head of HR from Acquirer) |

| | | | | |
|---|---|---|---|---|
| | Communication with employees to understand target firm's organizational culture | HRM practice | Pre-M&A | Actually before the M&A, the acquirer company's CEO visited us to communicate their intention. This M&A taskforce team analyzed the feasibility, value creation potential and integration process. The CEO of acquirer also visited us frequently to inquire the work progress and difficulties, or potential obstacles. So, right before the M&A, we have sensed the hope and prosperity from this M&A. (Chief in Finance from Target) |
| Claiming target identity | Recognizing the value of employees from target firm | Employee KSA | Pre-M&A | We did not routinely impose our organizational culture and management style. We try to keep the target firm's employees in their position because they have experience and we give them more opportunities to exert their capability. (CEO from the Acquirer)<br><br>Dr.Wu has mentioned several times before M&A that one important asset from the required firm is people and told us to try to keep everyone during the integration. (Deputy Manager from Acquirer) |
| | Willingness to deliver target employees' expectation | Employee KSA | Pre-M&A | Our cultural integration did not wait until the acquisition deal signed off. We carefully considered how to help employees from target firm to realize their expectation of career development. (Vice president in charge of HR from Acquirer)<br><br>Through communicating with them, we understand more about SOE culture and employees' expectation. We try our best to meet their expectation. We keep most employees' previous positions and promote someone who is very capable. We try to keep the required firms' original technical team. (Head of HR from acquirer) |
| Maintaining | Maintain SOE's | Culture | Post M&A | The target firm held sport activities, dinner, and other cultural activities almost every week to unite the employees like a big family. After M&A we maintained and enriched these activities. |

| | | | | |
|---|---|---|---|---|
| target identity | 'family culture' | | | In building organizational culture in SOE, there are many internal social and cultural activities. After acquisition, we both maintain and spread these activities among our employees. Through these cultural and social activities, employee's after work life can be enriched. In addition, employees may know each other better to cultivate a lively, united and relaxed cultural atmosphere.<br><br>We benefit from cultivating a family culture, mainly because it can coherently unite employees and create a feeling of belonging. We inherent the employee bonus and benefits from target. For instance, employee's birthday, marriage anniversary, or having a child, our company will send some gifts. Lately, our accountant Rachel gave birth to a twin-baby, our firm choose a baby carrier for her. These details exemplify firm's care for our employees. This is largely influenced by family culture. |
| | Building corporate culture to promote party committee culture | Culture | Post M&A | SOE's party committee was maintained, and we have dedicated department in charge of party activities. Every year, this department regularly organizes party members to visit historical places, such as Yan'an, Chairman Mao memorial, to learn and strengthen the understanding of party history and party mission. Party culture is a signature element of SOE, and it plays important role in solidifying the organizational culture. |
| Accommodating both acquirer and target identity | Training employees to understand target corporate culture | HRM practice | Post M&A | We use training to facilitate organizational culture integration. On one hand, employees from target were sent to acquirer to experience acquirer's organizational culture and corporate value; on the other hand, we evaluate the cultural characteristics of these two firms and discern both commonality and difference. Acquirer sent high performance employees to target to communicate their corporate value and professional practices, at the same time, acquirer employee discussed jointly with their counterpart of target to explore appropriate culture and implementation plan after acquisition. |

| | | | |
|---|---|---|---|
| Reshaping SOE's corporate image by involving employees | HRM practice | Post M&A | After acquisition, we establish systematic corporate and institutional norms. These norms embody the shared corporate value after acquisition. Simultaneously, we use corporate training to immerse employees into the new organizational culture. Today, our corporate and institutional norms are concise and simple. Complicated regulation can only curb employees' initiatives and creativity.<br><br>To increase competitive advantage, acquirer helped us to reshape the corporate image, including technology and operational efficiency. For instance, we hired professional advertising agency to design new LOGO and change employees' uniform |

**Figure 1. Conceptual framework of leaders' identity work, HRM involvement and sociocultural integration in M&A**

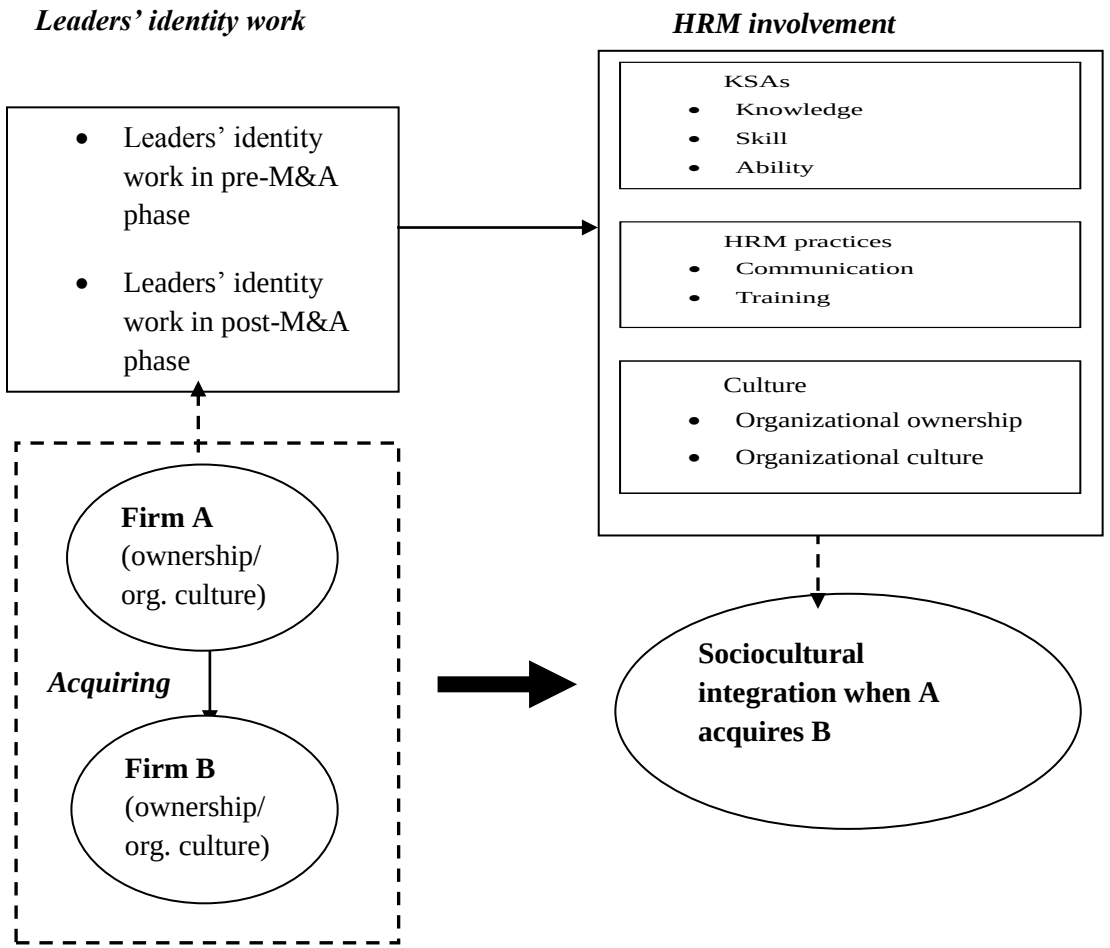
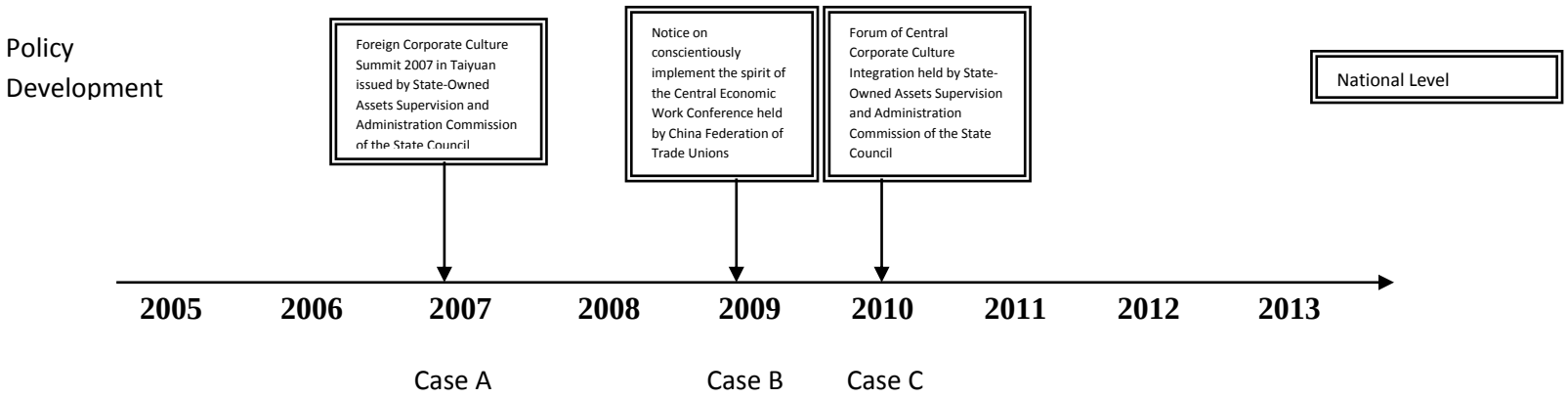
**Figure 2. Chinese M&A policy development and change**