CULTURAL CLASHES IN A "MERGER OF EQUALS": THE CASE OF HIGH-TECH START-UPS

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Mergers of equals are often considered simply symbolic. Whereas existing literature on the topic views equality as underscoring the importance of distributive justice, power, or identity, the role of culture remains relatively obscure. In this study, the authors explore equality as a dynamic construct associated with two major processes in mergers of equals: cultural clash and cultural construction. The authors employ a qualitative case study with interviews and analysis of company materials from BroadBand, a wireless Internet access provider, to address the role of culture and equality in mergers and acquisitions (M&A). The results shed light on how and why social actors entering into mergers may enact a culture of equality. First, firms may develop new aspirations and patterns of appreciation and initiate practices and strategies that construct equality as an integral part of the merger. Second, when distributive equality becomes a liability, it incites change. In the context of equality, this change results in strategic action that transforms the meaning of "a merger of equals" to a more practical, pragmatic, and integrative equality, which takes into account the interests and the needs of the merged firm. Third, contrary to the common skeptical and cynical portrayal of mergers of equals, this study found equality to be a crucial factor during postmerger integration. © 2011 Wiley Periodicals, Inc.

Keywords: merger of equals, equality, cultural clash, cultural construction, practices of equality

Introduction

"Here is a tip for deal making: When companies start talking about a 'merger of equals,' someone is usually getting the better deal" (http://www.nytimes.com/2007/02/25/business/yourmoney/25deal.html). This cynical quote from the *New York Times*' A. Sorkin on the merger of XM Satellite Radio with Sirius Satellite Radio speaks to the popular myth that a merger between "equals" means that both companies receive not only equivalent stock shares, but equivalence in all aspects of the merger such as resource sharing, dividing tasks and responsibilities, and shared management positions. In short, a merger of equals cultivates expectations of wide business synergies as well as fairness, mutual trust

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in each other's intentions and deeds, and the presentation of a united front (e.g., Cartwright & Cooper, 1993; Risberg, Tienari, & Vaara, 2003; Schweiger, Csiszar, & Napier, 1994; Vaara & Tienari, 2002; Zaheer, Schomaker, & Genc, 2003). As Zaheer et al. pointed out (2003), "By defining a merger as being between equals, an expectation of *distributive equality* may be created, in which the parties expect that every aspect of the merger will be equal, rather than one of *integrative equality*, where on balance, each side will gain in some areas and lose in others" (italics in original; p. 186). Although distributive equality provides clear-cut opportunities and advantages for mergers, the challenge of maintaining such equality is considerable. Meyer and Altenborg (2007) present vivid evidence of the difficulties involved in maintaining equality in their study of a merger between two Scandinavian state-owned communication firms. In this case, the perceptual and structural fallacies caused the principle of equality to harm social integration and instead produced a disintegrative effect.

Cultural differences may hamper mergers of equals. A notable example is the Daimler-Chrysler merger, originally described as a merger of equals (Cook, 1998). The operational and managerial differences of the German and the American companies ended with the German approach dominating (Vlasic & Stertz, 2000). Consequently, Chrysler employees were disillusioned with what they perceived as Daimler's attempt to alter their basic assumptions, values, and beliefs (cf. Buono & Bowditch, 1989; Cartwright & Schoenberg, 2006; Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Larsson & Lubatkin, 2001). In general, cultural differences work against equality because the resulting clashes undermine employees' shared understanding of every aspect of the organization, from strategy to employment practices.

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Here we investigate cultural conflict as a cause for abandoning the notion that a merger can be a "merger of equals." The guiding propositions are as follows: First, the failure to implement distributive equality in a merger of equals could occur because members of dominant firms are less likely to experience cultural clashes and may more readily identify with a merger that favors their own cultural terms (cf. van Knippenberg & van Leeuwen, 2001; van Leeuwen, van Knippenberg, & Ellemers, 2003; Zaheer et al., 2003). Second, cultural practices and conventions during postmerger integration highlight varied meanings of equality for different organizational actors. Third, cultural practices and conventions emerge out of the different legacies of the two merged organizations. In mergers of equals, these differences may be overlooked, thus preventing the goal of equality being realized. Thus, we address the question of how cultural clashes lead to abandoning the notion of distributive equality as the model for a merger.

This article fills a gap in the literature on culture and M&As by addressing the issue of how and why actors entering into mergers of equals may enact, contest, or accept norms and practices of equality (e.g., Ambrose & Cropanzano, 2003; Citera & Rentsch, 1993). It demonstrates how equality can become a liability during a merger and shows how the case study organization responded by changing the meaning of a merger of equals to one encompassing a more practical and pragmatic integrative equality. Furthermore, contrary to cynical portrayals of mergers of equals, we suggest that integrative equality is a crucial factor during integration. Integrative equality has a direct impact on the strategies of action and practices used during integration and reinforces certain cultural values over others, allowing for flexibility during integration.

Our study is based on research conducted in 2004 and 2005 at BroadBand,[1] a leading Internet communications company specializing in broadband wireless access. The company was created in 2001 through what management declared was a merger of equals. Collecting data at both 3 and 4 years after the

merger enabled us to capture the period of cultural integration and to detect changes in the notion of equality over time. The rationale for our postevent approach is that it is only with the perspective of time that the aftermath of the merger is clearer to those who participated in the process of integrating. Thus, we used both current and retrospective narratives aimed at reconstructing the meaning of equality in the merger. Premerger experience provided a backdrop against which to interpret changes in equality during postmerger integration.

In the next section, we review the relevant scholarly literature concerning our theoretical perspective on equality and culture. We then outline our research setting and method for collecting and analyzing data. Our empirical results follow, grouped by analytical clusters that emerged around the theme of a merger of equals: (a) forms of justification, (b) notions of equality, (c) cultural factors, and (d) changes in equality practices. We then present the theoretical implications of our findings and discuss limitations of the study. Our conclusion outlines further implications of our work for the study of mergers of equals as well as the role of culture in organizations.

Contexts of Equality: Cultural Differences in Mergers of Equals

A key factor in mergers of equals is the notion of justice or fairness in the way firms distribute resources and shape the process of managerial practices and decision-making (Deiser, 1994; Lipponen, Olkkonen, & Moilanen, 2004; Meyer & Altenborg, 2007; Zaheer et al., 2003). If members of merged organizations perceive the merger as just, this signals willingness to commit to the new organization. Organizational justice scholars, particularly Novelli, Kirkman, and Shapiro (1995) differentiated between two types of justice: distributive justice or "the feelings of fairness surrounding the allocation of organizational resources" and procedural justice, which complements the former and refers to the procedures and processes associated with the ongoing operation of the organization

(p. 300). The presence of these two types of justice indicate a willingness of the parties to engage with each other with fairness, often based on equality. Studies examining the issue of equality in M&As, however, have concluded that in the end, and in particular, during postmerger integration, the principle of equality is not sustainable (Hambrick & Cannella, 1993; Meyer & Altenborg, 2007). Thus, the rule of distributive justice, which implies a fair outcome for all (Leventhal, 1976), is difficult to create and maintain in M&As because of the inherent differences associated in both the initial conditions of the merger and the dynamics of postmerger integration (Marks & Mirvis, 1992).

In particular, Weber and Camerer (2003) identified culture as a prime reason companies experienced problems in mergers of equals. This is because culture "affects how the everyday business of the firm gets done…how priorities are set and whether they are uniformly recognized, whether promises that get made are carried out, whether the merger partners agree on how time should be spent, and so forth" (p. 401). The thorny cultural aspects of mergers focused our theoretical lens on the way equality is practiced during a merger of equals. Our approach differs from other studies that have dealt with the issue of equality in M&As. We depart from Meyer and Altenborg (2007), who focused on theories of organizational justice, and Vaara and Tienari (2002), who studied how management positions were allocated as a manifestation of power relations. Our conceptual framework is more aligned with Zaheer et al. (2003), who claimed that the notion of a merger of equals changes meaning during the postintegration period by creating "integrative rather than distributive" views of equality (p. 190). We argue that the operationalization of equality is best understood through a cultural lens. Despite extensive research on culture in M&As, a gap remains in our understanding of

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how equality is implemented over time. Given the importance of cultural dynamics in shaping both the value and practice of equality, this is an important oversight.

Largely, cultural perspectives on postmerger integration focus on cultural differences to explain the consequences of bringing together organizations with different values, beliefs, and practices (Buono & Bowditch, 1989; Cartwright & Schoenberg, 2006; Chatterjee et al., 1992; Larsson & Lubatkin, 2001). Studies in this tradition variously support arguments that cultural attributes predict better postmerger performance (Morosini, Shane, & Singh, 1998) or worse performance (Chatterjee et al., 1992); indeed, reviews and meta-analyses have found inconclusive results (Stahl & Voigt, 2008; Teerikangas & Very, 2006). These studies tend to treat culture as a set of monolithic attributes, however, implying that an organization's members share durable meanings that are embedded in the organizational culture and resist change when disrupted (e.g., Harrison & Carroll, 2006; Ranft, 2006; Ranft & Lord, 2002).

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This literature also tends to view culture during postmerger integration as an outcome of a premeditated integration approach (e.g., Bower, 2004; Haspeslagh & Jemison, 1991; Morosini & Singh, 1994; Nahavandi & Malekzadeh, 1988; Schweiger, 2002). Although the extant literature on culture clashes is overly deterministic, the constructionist approach posits that the impact of culture on postmerger integration is best explained through the discursive and sensemaking traditions of cultural theory (e.g., Gertsen, Soderberg, & Torp, 1998; Hellgren et al., 2002; Riad, 2005; Soderberg & Holden, 2002; Vaara, 2000, 2002, 2003; Vaara & Tienari, 2002). In this view, the merged cultures are social constructs that reflect both the context of identity construction and the social organization of meaning in postmerger integration. As Soderberg and Holden (2002)

stated, a "social constructionist approach to culture implies that so-called cultural data are inevitably 'social constructs' made on the basis of the practitioners' and the researchers' own cultural thought patterns and the concepts and categories they are socialized with" (p. 112). This approach is contextually sensitive and assumes that cultural construction is premised on mechanisms such as narratives, sensemaking, and identity construction before and during the integration (Vaara, 2000; Vaara & Tienari, 2002; van Knippenberg, van Knippenberg, Monden, & de Lima, 2002; van Knippenberg & van Leeuwen, 2001).

The "culture clash" hypothesis in organizational studies claims that culture clashes are detrimental to postmerger integration (Cartwright & Cooper, 1993) and merger success (Datta, 1991). Cultural differences between merging organizations have been found to be negatively associated with the commitment of the acquired firm's top management to the merger's success and with the acquiring firm management's cooperation (Chatterjee et al., 1992; DeNisi & Shin, 2004; Krug & Nigh, 2001; Teerikangas & Very, 2006; Weber, 1996; Weber & Schweiger, 1992). In a merger of equals, we assume that conflict may be strongest when management of one firm is responsible for determining the goals, strategic choices, and key operations of postmerger integration. Either party losing voice elicits a sense of inequality and ultimately affects the commitment and cooperation of the party that perceives the merger as failing to fulfill its basic tenet of equality (Schweiger & Goulet, 2000). Resolving culture clashes in a merger of equals, therefore, is particularly crucial for top management teams, whose motivation and commitment to the merger have a major influence on employee motivation (Sales & Mirvis, 1984; Schweiger & Very, 2003).

Furthermore, in a merger, the inertial tendencies of culture may eventually lead to a sharp demarcation between the cultures of the merged firms, as each attempts to preserve its initial values and practices. Particularly in unequal mergers, the dominant culture may be perceived as threatening and thus be rejected by the less dominant culture

(Cartwright & Cooper, 1993; Marks & Mirvis, 1997). In a merger of equals, the ethos of continuity may minimize cultural differences and lead members to identify with the new firm (Bartles, Douwes, de Jong, & Pruyn, 2006). Although members' shared experiences during postmerger integration may allow the principles of equality to either weaken or strengthen, when there are large cultural differences between the firms, an erosion of equality is likely. To preserve perceptions of equality, top managers must cater to the cultural sensitivities of the merged firms and actively build an integrated culture that narrows the gap between the firm's cultures.

Vaara (2003) contended that pluralism and ambiguity are embedded in the postmerger integration process and should be embraced. Indeed, the notion of culture as a fragmented entity (Martin, 1992, 2002) suggests that pluralism and ambiguity may well be the hallmark of cultures in postmerger integration contexts. Furthermore, ambiguity is likely to facilitate identity change during postmerger integration, as Corley and Gioia (2004) showed. We claim that new cultures created in mergers of equals are both contested and negotiated because organization members are likely to seek to maintain the basic identities and values of their legacy organizations. It is this struggle for a sense of equality, or accepting inequality, that is reconstructed by creating a postmerger integration culture that reflects the realities of an unsettled organizational period (Swidler, 1986).

Creating the new culture is not likely to follow a formal definition of a merger of equals, but rather involves processes of reaffirming and legitimizing the values that reflect the cultures and identities of the parties to the merger. Although van Knippenberg et al. (2002) contended that premerger and postmerger identification are "more closely aligned for members of the dominant organization" (p. 247), premerger identities may serve as a repertoire for constructing differences that are embedded in the new identity of the merged organization. The current study concerns the processes that unfold around culture and identity shifts in a merger of equals, highlighting patterns in how the principle of equality is negotiated and redrawn.

As Weber (1996) claimed, culture clashes are not necessarily confrontations between two sets of assumptions, norms or values, but are essentially identity conflicts. Creating the new culture can lead members of the subordinate organization to feel they are being forced to abandon their premerger identity, leading to feelings of threat, resistance, dismay, alienation, hostility, or apathy toward the other organization (e.g., Terry & Callan, 1998; Vaara, 2002; van Leeuwen et al., 2003). Mergers and acquisitions research highlights various mechanisms that may smooth negative dynamics during postmerger integration, including preserving premerger identities (Larsson & Lubatkin, 2001), achieving congruence in terms of acculturation between the merged firms (Nahavandi & Malekzadeh, 1993), promoting synergy (Larsson & Finkelstein, 1999; Sirower, 1997), and increasing awareness of cultural compatibility between the firms (Nahavandi & Malekzadeh, 1993).

Furthermore, mergers redefine group boundaries and may create pressure for members to amend the notion of equality by negotiating, contesting, and incorporating legacy identity attributes, processes that may transcend competition and encompass conflict, ambiguity, or shock stemming from the merger (e.g., Buono & Bowditch, 1989; Cartwright & Cooper, 1993, 1996; see Gioia, Schultz, & Corley, 2000 for an empirical example). Negotiating equality as the prima facie logic of the merger is embedded in members' sense of meaning and supports a sense of continuity (Bartles et al., 2006; van Knippenberg & van Leeuwen, 2001; van Leeuwen et al., 2003). In other words, members who strongly identify with the idea of equality may be more open to integration if

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they perceive some form of equality in the new organization. Equality could then serve as a focal point for negotiating strategies of action during integration (Zaheer et al., 2003) because it provides a map for what is legitimate and acceptable and informs practices and action, including adopting procedures, routines, and knowledge. Thus, focusing our research on equality and culture should provide a better understanding of mergers of equals and how norms of distributive justice are modified, contested, and accepted during postmerger integration. The case of Broad-Band, a pioneering communications firm created out of a merger of equals, provides a unique case analysis to illustrate our assertions about the role of equality in M&As.

The Research Setting: Broadband

The BroadBand merger represents an example of Napier's (1989) type of "collaborative merger," which refers to mergers undertaken "to generate gains to both [firms] or to one, through a blending of operations, assets or cultures, or through an exchange of technology or other expertise" (p. 277). BroadBand provides a unique example to study the role of equality during mergers because it is comprised of two Internet communications start-ups that merged as equals. Management described the merger at both firms as follows, "This is the merger of equals. The merged company's management team will be composed of the management teams of the original companies. The principle in this merger is 'the best of both companies.' The merged company will be registered under a new name (CEO, Internal Communications, May 13, 2001). Selecting a new name, Broad-band, was a symbol of equality because it did not include components of either of the merged companies' names, which would have belied a preference for one organization over the other.

According to the booklet distributed to BroadBand employees following the merger, the organizations were "a perfect fit in terms of market, channels, technology, geography and business values" (Internal communication, 2001). Thus, the business rationale of the merger was based on an assessment that the technology, professional skills, knowledge, and products of the merging firms were synergic. One of the firms, Intercom, dealt mainly with small- and medium-sized Internet service providers and IP products, whereas the other firm, Extercom, worked with large institutional telecom companies and created multiservice products. In the merger, sales and marketing were joined and organized according to geographical regions, with each region responsible for the operations and product lines of both companies.

Another attempt to promote a merger of equals was to combine the R&D units of each firm and develop a new product based on both technologies. All other operational units, including engineering logistics, HR, and finance, were also combined, with each of their respective managers operating as either joint managers or splitting the responsibilities between them. The initial structure, based on a functional silo model, was cumbersome and inefficient. The CEO of Broadband explained, "We decide to stick to the principle of a merger of equals by integrating the two firms completely, without rationalizing the structure, product, sales or operation. We tried to keep various types of equal balances by appointing two managers to one post, each from a different company, or split responsibilities and tasks. Soon we learn that we are sacrificing efficiency on the altar of equality. Then we started to rationalize everything" (personal communication, June 22, 2006. Regarding their respective cultures, the CEO of Broad-Band explained, "When looking at it from the perspective of both companies, I can testify that both were aggressive with regard to marketing, sales and meeting targets, both appreciate innovation and technology and both are dedicated to their customers. However, Intercom was much faster, and I could characterize it as a typical start-up culture of improvisation. Extercom, which was also a start-up, was much more orderly and a red tape type of company" (personal communication, May 7, 2005.

BroadBand is a NASDAQ-traded, leading Israeli provider of wireless broadband systems (WiMAX) to carriers, Internet service providers, and private and public network operators, and cellular operators worldwide. The company employs 445 people and in 2007 had revenues of approximately $225 million. When BroadBand was created in 2001, Intercom and Extercom had approximately 200 and 160 employees, respectively. At the time of the merger, 10% of the approximately 360 employees, or 5% of each firm, was either laid off or voluntarily left the company.

A top management team consisting of individuals from the two merged companies and an external consultant coordinated the postmerger integration. During the merger's formative months, the CEOs of the merged firms co-managed Broadband, holding a series of management forums for different functional teams such as strategy, business development, finance, sales, operations, and R&D. BroadBand underwent several organizational restructurings, which focused on efforts to build common service standards and customer service methodologies and institute similar operation and R&D practices. In addition, the company continued to focus on developing technology and logistical and management tools for internal integration, including an intranet, a technological Website, knowledge management projects, ongoing quality improvements, and R&D projects for product and service innovations, such as entering the cellular market. One of the trademarks of BroadBand's postmerger integration activities was frequent organizational change. Since the 2001 merger, major structural changes have occurred every year. BroadBand's postmerger integration process has entailed continuously redrawing internal and external organizational boundaries, including two acquisitions and changes to the top management team.

Method

Data Sources and Collection

This study was part of a larger research project on the evolution of the Israeli high-tech sector.

We conducted a series of case studies aimed at investigating selected organizational issues in-depth, such as knowledge, trust, identity, and equality. These issues are amenable to an inductive study that follows grounded theory principles (Eisenhardt, 1989; Strauss & Corbin, 1990). In particular, studying a single merger in depth allowed us to collect extensive data to understand the dynamics of equality in a merger of equals. Although a single case study may limit generalizability, our objective was to shed light on the dynamics of equality in practice and not to test a theory of equality as such. Thus, for our purposes, the BroadBand case provided a unique opportunity to examine a merger of equals and generate new theoretical insights stemming from the process we studied (Eisenhardt & Graebner, 2007; Siggelkow, 2007; Stake, 1995; Yin, 1994). Furthermore, we were aware that retrospective descriptions of equality might involve selective reminiscences about the ideal of distributive equality. Such narratives, which reflect the recall bias inherent in reconstructing past events (Baron, Burton, & Hannan, 1996), may also superimpose the present on the past.

Our data collection occurred between 2004 and 2005 and constitutes the basis of our research. For 3 months (April–June) in 2004, the first author visited BroadBand weekly, completing 17 field visits. During 2005, the first author conducted seven additional visits to interview managers to clarify data and collect supplemental data. We assumed that the presence of premerger cultures at BroadBand would still be apparent 3 years after the merger announcement in 2001. The premerger cultures in BroadBand were analyzed according to a historical narrative approach (Bartel & Garud, 2009). Our data consist of scheduled and unscheduled interviews conducted with employees and managers during the course of our fieldwork. Other sources of data included BroadBand documents such as minutes from management meetings, memos, and reports.

Interviews

We chose our sample by consulting with the HR manager who was part of the top

management team that planned and implemented the merger. We conducted interviews with 46 members of Broadband including employees, midlevel managers, and senior managers. Among these, 32 interviews (17 from Intercom and 15 from Extercom) were with organizational members who actively participated in executing the BroadBand merger. Our interview protocol was specifically structured to probe issues with a direct bearing on creating equality and enacting a culture at Broad-Band during the postmerger integration. The interviews focused on themes associated with our research question; specifically, how employees of premerger firms construct their understanding of equality during postmerger integration (Kvale, 1996). We followed Lee's (1999) suggestions for framing an interview by focusing on basic issues, such as respondents' work practices and roles at their premerger firms compared to their experience at BroadBand. We also probed for their interpretation of management's actions regarding equality, their perceptions of various aspects of the merger and integration related to the idea of a merger of equals, and their impression of the changing nature of equality. We asked for interviewees' stories about their work and how their premerger firm differed from the merged firm; their views on organizational issues such as practices, priorities, technology, project work, and authority; and their assessments of their premerger firms' work values and norms compared to BroadBand.

Interviews averaged 1½ hours in length and were audiotaped and transcribed. We used an interview protocol composed of open-ended questions concerning the merger and clarified various events, organizational processes, and decisions. Our full interview protocol appears in the Appendix. We used follow-up probes in response to new themes and issues that emerged over the course of the interview.

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In addition, we conducted two interviews each with the CEOs who founded Intercom and Extercom. One year after the merger, the CEO of Extercom left the company, and the CEO of Intercom became the sole CEO of BroadBand. When the CEO of Broadband decided to retire in 2005, the Board of Directors appointed Broadband's Chief Operating Officer (a former COO of Extercom), as the new CEO. We also conducted two interviews with the new CEO, once prior to his appointment and once after his appointment.

Documentation

In addition to the interviews, we collected archival data covering the years 2001–2005, which included documents and minutes of organizational meetings relating to the merger, as well as various pamphlets, public relations memos, and organization profiles. We also prepared a file of all newspaper coverage of BroadBand and its merged organizations. Finally, we had access to the official merger documents, which specified in detail the planned premerger processes, the suggested integration strategy, and plans for its implementation. We were also given access to internal reports and memos written by the Vice President for Human Resources, which documented the deliberations during top management joint meetings from both companies. These memos contained details regarding the merger strategy and the reaction of management to daily events concerning the integration process.

Data Analysis

Our data analysis followed the procedural principles suggested for inductive case study research (see Yin, 1994). This involved moving from concrete descriptions made in the field to more abstract and conceptual descriptions, searching for meaning by categorizing our data into themes. This was followed by an iterative process where additional themes and patterns were culled from the data (Miles & Huberman, 1994). We inductively analyzed the data, using grounded methodology principles that involved coding

and categorizing content themes and the respective interpretations that the informants provided (Miles & Huberman, 1994; Strauss & Corbin, 1990). In analyzing our field notes, we first singled out both temporal and contextual categories, which were recorded chronologically. All of the data from company documents and interviews, together with our attached memos on possible interpretations, were also coded. The coded items were then grouped into basic content categories, which largely corresponded to the issues we covered in the interviews. We distinguished between categories related to BroadBand itself and categories that contained data related to the respective companies during the premerger period. Thus, three different data sets were created.

We then aggregated accounts of those events that were relevant to the major themes of pre- and postmerger culture, using axial coding to investigate the relationships between categories. This inductive process allowed constructs to be extracted from the conceptual frameworks represented in the data by attributing thematic meanings to events and stories and mapping out relationships between categorized sets of data. Next, we conducted cross-data analysis, triangulating between our different data sources (interviews, documents, memos, official publications, and newspaper clips), looking for similarities between categories. Comparing the data sets entailed discerning patterns (Miles & Huberman, 1994), which helped us identify different strategies for using the premerger cultures from Intercom and Extercom. In the next step of the categorization process, we singled out core categories that reflected the emerging model of creating culture during the postmerger integration process.

In the final step, we developed a more formal interpretation of the relationship between notions and practices of equality and the creating the culture at BroadBand. We shared our interpretations with colleagues and key informants at BroadBand. Their comments and criticisms further refined our interpretations and contributed insights to our conceptualization of culture formation (Locke, 2001).

Findings

Our data suggest that in mergers of equals, start-ups adopt a flexible approach to align equality with strategic and operational needs. Using equality in a flexible manner is crucial to the merger's success. For this purpose, managers at Broadband linked equality to the values and behaviors they considered instrumental to the company's ability to compete in the volatile Internet communications market. Consequently, during the postmerger integration, most of the attention given to equality was associated with the challenge of stabilizing the market. As BroadBand's CEO indicated, "Our first and foremost objective is to get out of this merger with a better foothold in the market."

Our data also reveal that managers enacted notions of equality while being aware of its potential to serve as a raison d'être not only for the merger, but also for subsequent changes during the formative years of the integration. We found that this practical view of equality was present in three domains: (a) forms of justification, which referred primarily to the crucial role of the merger of equals as the only chance for survival; (b) the notion of equality, which provided the groundwork for change from distributive to integrative equality; and (c) changes in equality practices, which were the direct result of BroadBand's strategic approach and its daily operations, both of which targeted repositioning the newly merged firm in its market. Underlying the changing practices and meanings of equality are management's strategies of action, power relations, and the practical needs of changing organizational procedures and routines. The following sections elaborate on each of these domains.

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Forms of Justification

We found that both managers and employees engaged in justifying the merger. Management

provided a series of justifications associated with various aspects of the merger with the aim of creating the perception that Broad-Band was truly a merger of equals. These justifications spanned four domains. First, Broad-Band's management presented a futuristic rationale for the merger by claiming that the merged company would become a global leader in its field. In this vein, the merger was portrayed as inevitable because the two companies shared the same vision and realized that it could only be achieved through a merger. Second, managers emphasized the cultural fit between Intercom and Extercom. Various documents prepared during the pre-merger period assessed the synergies between the two cultures, concluding that both firms had a common start-up culture consisting of such values as entrepreneurship, innovation, high motivation, technology-orientation, and an aggressive market outlook. Presenting the two cultures in this stereotypical fashion facilitated acceptance by the employees of the notion of a merger of equals, and managers considered it an appropriate tactic for smooth integration. As the manager with primary responsibility for postmerger integration commented, "Of course, the two companies were culturally different. Intercom is more agile and improvising and quick to respond to changes. Extercom lacks this flexibility, and we knew it before the merger. However, it was imperative to convince people that the synergy was very high, so they can dissolve their individual identities fast and adopt the new one." Third, managers emphasized the compatibility and complementary of the firms. Managers at both companies viewed the synergies of their technologies and markets as the merger's decisive factor. The combined product offerings covered both the low and high end of Internet broadband wireless utilities and were suitable for most carriers worldwide. In addition, integrating the sales channels and the geographic spread of the two companies promised to provide opportunities for growth. Fourth, managers emphasized that the merger was needed for both firms to survive. The merger was presented as a last resort against the backdrop of the postbubble crisis of 2000. Managers portrayed the merger as

the only logical path to secure the wellbeing and prospects of the two companies. By casting the merger in terms of survival and opportunity, managers asked employees for a high level of commitment in a bid to gain cooperation. The memorandum sent to all employees following the merger stated that above all other factors, including product portfolios, technologies, sales channels, and cultural synergies, the "success of the merger depends on each and every one of us. This includes our integration into the new company and patience in the initial period. This merger is one for all."

Equality During Integration

The assumption of equality at BroadBand was explicitly based on the notion of integrative equality, which implies "On balance, each side will gain in some areas and lose in others" (Zaheer et al., 2003, p. 186). The top management responsible for the merger took pains to present the merger as one of equals. As BroadBand's CEO elaborated,

> It is a merger of equals—we take the best of the two companies and register under a new name. However, from a legal point of view, Intercom acquired Extercom and in terms of the proportion of equity of the merger, Intercom has 55%. So why is it a merger between equals? Because the two firms have an equal opportunity to become a leader, to grow and be a player in the world market. It is among equals because we create one out of two rather than integrating Extercom into Intercom.

Thus, for BroadBand's management, the merger of equals was a process based on synergies that facilitated integration through various mechanisms of control, organizational restructuring, and creating a new culture. In this process, equality served as a tool to guard the rights and status of employees of both firms. Dani, an R&D team manager who experienced the merger and integration process, explained,

During the process we had all kinds of fears, mainly who will go home and from which company. At each point, each side thought that it was more valuable to the partnership. We knew it, because this was correlated with whose people were fired and whose managers were more dominant in controlling the integration processes.

As this quote illustrates, personnel movements, particularly exits, during integration provided clues about which firm tended to dominate the merger.

The willingness to sacrifice during the integration process also helped define the nature of equality in the merger. These sacrifices took two forms. First, each firm gave up tangible assets such as technology, products, sales networks, and managerial positions that were deemed irrelevant to or outside the core business of BroadBand. Second, when employees' status and positions depreciated, emotional stress created a sense of insecurity, threat, and loss of the basis for their identity (cf. Vaara, 2002; Zaheer et al., 2003). As a former Extercom R&D manager claimed,

I and others in Extercom, who were eventually hurt by the merger, believed in it. We believed that we were going to be an equal partner for something new and big. We took personal losses, as I was actually demoted, and so [were] many others. But we know that this is the price of a merger. You can have duplication or inefficiencies. So someone has to give up. As long as we are appreciated and treated equally during our daily work, not being penalized because we are originally from Extercom, and now we are considered as weaker, I don't mind.

This quote reflects equality from Extercom employees' viewpoint, not as gaining an equal share in terms of giving a tangible asset such as equal job or authority, but by being partner to a joint experiment in which all are contributing as much as they can. BroadBand's competitive advantage was perceived as legitimate in exploiting the strength of the two parties. Equality is implied in the recognition that both parties had the potential to be equal. Thus, differentiating between Extercom employees, who were considered at one point the weaker party, and the Intercom employees, considered to be stronger, was considered by Extercom veterans as breaching the merger of equals idea. As interviewees described, it was not unevenly allocated resources or decision-making processes that were considered a breach of equality (Meyer & Altenborg, 2007). Rather, any evolving cultural norms that denied employee involvement or participation due to their former affiliation created the sense that the principle of equality was violated. Thus, equality is not a predetermined and fixed value; it is fluid and changes according to actors' knowledgeable actions, in which they react and strategize in response to situations as they emerge (Mizrachi, Drori, & Anspach, 2007). Equality is essentially a tradeoff in which the supremacy of each company's values and practices change according to the evolved integration processes and the reality on the ground. For example, at the beginning of the merger, Intercom's values and practices superseded those of Extercom because Intercom's management and consumer demand for the company's products were dominant. As the integration process progressed, however, Intercom's value as a small start-up that moved forward by continuously improvising was no longer effective. As one the R&D managers contended, "With the expansion into the mobile market and working with leader companies, we have to cease improvisation and adapt the more stringent R&D practices and structured working procedures of Extercom." Driven by the developing WiMAX market, which favored Extercom's product mix, BroadBand was forced to adopt values and practices originated at Extercom. As Yaron, a former Extercom marketing manager, explained,

> *Personnel movements, particularly exits, during integration provided clues about which firm tended to dominate the merger.*

We envisioned poetic justice. We were promised a merger of equals, which soon leaned in Intercom's favor. They staffed the major management positions and their products were on top. Things have changed since then. Now, Extercom's values, methods, work systems, and organization of work are the standard—we at Extercom envisioned it.

Thus, equality did not manifest in a distributive form, whereby every aspect of the merger was equal (Zaheer et al., 2003), but rather emerged through a dynamic and flexible process of tradeoffs made over time.

The desire to present the merger as equal was perhaps strongest early in the integration process. In particular, during the merger's first year, management was balanced carefully between the two firms. Dor, the WiMAX mobile division's manager, explained,

> When we started with cost-cutting and organizational changes, we began to lay off employees. Decisions about who to fire were not always made on the best-option basis. I had to take into account a situation where I'm not too biased toward one side or another. In a few cases, I exercised affirmative action, just so I wouldn't harm the notion of equality.

As this quote suggests, in the early days of the merger, keeping things balanced was seen as a functional mechanism to maintain equality and superseded other functional considerations. By 2005, however, the issue of balance no longer represented the operative mechanism for maintaining equality. In cases of layoffs, however, BroadBand members kept an unofficial count of those affected from their company of origin. As Zvi, a former Extercom employee explained, "We are one company now, but it hurts more if one of

The hallmark of the planning for the BroadBand merger was to create speedy integration, which research has suggested contributes to the likelihood of merger success.

yours is leaving. We joke about it, but we maintain a count, and ours is much lower than the other's."

Equality was also maintained by creating the new name for the merged company. As the HR manager of Broadband explained, "Choosing a name [that] is a combination would surely mean playing with open nerves." The sense making around the new name revealed that it had the potential to create a rift between BroadBand employees and their companies of origin. Thus, retaining the shared meaning of equality called for both symbolic and instrumental considerations, which signaled to BroadBand members that they needed to cooperate in building the new firm. The success of BroadBand would be achieved through unified action, which saw everyone cooperating as equals.

The hallmark of the planning for the BroadBand merger was to create speedy integration, which research has suggested contributes to the likelihood of merger success (Homburg & Bucerius, 2006). This planning also affected perceptions of equality, as explained by BroadBand's Operations Manager:

> We divided into work groups, each dealing with different postintegration activities, such as choosing the new name, organizational structure, work plans, and marketing and sales, so people from both companies got to know each other and to trust each other. This makes them an equal partner in the building of the new company.

The integration process unfolded quickly, without much formal planning for how to retain equality in practice; indeed, this had meaningful implications. For example, it meant abandoning formal tools and methods of planning in favor of ad hoc processes that risked surrendering the merger to the dominant firm. As Noa, an HR manager explained:

> We have laid the foundation of the postmerger integration, but only for

the first act. Then, things changed on the ground. The reality was stronger than our intention. Those who were more proactive and considered dominant, ex-Intercom people took the lead and started to control [things]. So, soon after the merger, we heard voices [saying] that the notion of equality is fiction, and it is a simple acquisition: Intercom acquired Extercom.

Any merger of equals must navigate the embedded differences of the two parties. Mergers usually bring to the surface inconsistencies and conflicts that stem from the nature of the two merging firms. Managers must attempt to understand the cultural differences of the two parties and how these may affect the merger's prospects. In particular, culture embodies shared understandings among organization members and is developed and shaped by the experiences of the members. Therefore, culture is necessarily idiosyncratic. Thus, *integrating* two cultures while trying to make them *equals* is likely to be difficult and can shift the postintegration process from one of consent to one of conflict. As Yaki, the logistics manager who was involved in the premerger process contended:

> We were both communications start-ups that share the same business environment, but we have different priorities, different way of doing things, different values. We realized that the only way to merge is by declaring our merger as between equals. But equal in what. So we decided that we are not assessing who is better in what, but taking bold strategy, that we are equal in everything, technology, market, and the way our firms are managed. This was good for starting the process, but became irrelevant later.

The new culture was to be created as a consequence of two ostensibly separate processes. The first process involved inertial forces that retained the separate cultures of the merged firms. This was considered an appropriate way to promote the firms' separate identities, and correspondingly, the ability to continue to perform designated tasks, particularly product development. The second process was a planned culture change as part of postmerger integration. This process incorporated both structural and procedural changes, as well as changes in norms and values. The second CEO of Broad-Band explained:

> Once we started to operate as a merged company, I managed the routine and the HR manager managed the postmerger integration. We more or less anticipated a clash of cultures at its best, as I had to take into account the ways in which the different companies were used to doing things, and work with that, and then work on the long term, trying to introduce new ideas and values.

Any merger of equals must navigate the embedded differences of the two parties.

Thus, inherent in the merger, top management recognized that the integration process would involve carefully staging legacy practices with the need to adopt new ways of working.

One of the features marking a merger of equals is the common agreement that both companies have a track record of success. Success can blur differences between the two companies because the shared value of success serves as a strong uniting force and reduces tensions that stem from distinct differences in performance. At BroadBand, the perception of success as a basis for creating a merger of equals was also associated with willingness to cooperate. Members of the two companies described their merger as being based on equal ground because, as an ex-Intercom engineering manager claimed, "It is two successful companies with common objectives, which cooperatively and equally joined forces to continue with their past success, but on a much larger scale." This was essentially the same rationale the two CEOs expressed, who stated in a letter to employees:

We are dealing with integrating two successful organizational systems. The success of the integration process depends on each and every one of us, and we are certain that as we knew to lead the companies to success thus far, we will be able to continue together to lead the merged company to the next level of success.

In a later letter sent to employees following the merger, the co-CEOs portrayed the rationale for the merger of equals as being based on common objectives, stating, "The merger is a result of a common understanding by the management of the two companies that this is clearly the correct step to take in order for us to reach our common objectives." The co-CEOs stressed that achieving the merger objectives depended on BroadBand members: "We set high objectives for the employees, the creation of the largest and strongest broadband wireless access company in the world. Such an audacious goal could only be achieved by a group of people who work together. You are judged individually and no one cares if you are from Intercom or Extercom." In the merger's initial period, this equality was frequently emphasized, though during the postmerger integration, this emphasis was diluted. As the current CEO explained:

> There is a strategic advantage to describe a merger as between equals, provided that you possess an initial good synergy and similar industry standing. In particular, if you present the merger as geared at achieving an audacious goal. You are dealing here with high-tech start-ups and your workers have big egos and pride. Once you describe the merger as between equals, people are lowering their defenses; you are not creating competition, but cooperation. Once you start with the integration, the equality should be based on equal opportunities.

Change in Equality Practices

Our data suggest that during the formative period of BroadBand, the organizations had two different cultures and two distinct identities. This was likely due to explicitly separating parts of the organizations during the merger (see Nahavandi & Malekzadeh, 1988) and the fragmentation that occurred during the process of integration. Immediately following the merger, BroadBand maintained a separation between Intercom products and Extercom products. Accordingly, employees on each side of the divide, though now all part of BroadBand, still did not engage with one another. Only later, as part of the integration of technologies and work systems, were employees from the two companies mixed. Anat, a support manager, explained the process of culture building:

> We did it bottom-up. We started with small changes that were associated with the way things were done. We changed the culture of Intercom through introducing bureaucracy, planning, standards, and work plans. We changed the culture of Extercom by forcing their people to be personally accountable to what they were doing, not hide behind the group, work with a budget in mind and more importantly, to realize that customers are at the forefront—not technology for its own sake.

Thus, in certain departments, Intercom people, who tended to think that they were dominant, had to adapt to Extercom work methods, which were based on meticulous planning and procedures. Erez, a product manager from Extercom, described the shift:

> We from Extercom had a hard time adapting to the need to take into account a different way of doing things. For example, we always changed things while working on developing a product because we learned that there are changes in the customers' demands. We did it on the job. Now we have review meetings; we have

to work according to the procedures, document what we are doing and so forth. For me, it is the culture shock of the merger, moving from freedom to an experiment, [from] being master on my own to being subjugated to rules and routines and being part of a team in every decision.

The perception of equality in integrating the two cultures was a particularly touchy subject, leading the postmerger team to pay special attention to the issue of culture (cf. Larsson & Lubatkin, 2001; Nahavandi & Malekzadeh, 1988). During premerger negotiation talks, a consultant who coordinated the process conducted a cultural survey in both firms and found cultural synergies. Both companies possessed an entrepreneurial spirit, pride in their accomplishments, an aggressive approach to executing plans and business activities, and a high level of dedication and responsiveness to customers. Internal

documents the consultant submitted to the boards of both firms indicated, "Both companies are of similar cultures, lean and mean organizations with a fighting mentality." These common values, however, existed against the backdrop of a larger repertoire of the each company's cultural characteristics, which also exhibited striking differences. For example, during the merger's planning, the HR manager responsible for integrating the human-cultural aspects of both firms created a cultural map, which outlined the basic assumptions and values characterizing each firm. The map (see Table I) identified the key cultural attributes of each firm and their meanings to members of the other firm.

Nadav, a Broadband Vice President for R&D who hailed from Extercom, described the differences between Intercom and Extercom:

> Extercom was more of a high-end telecom start-up. Working with

TABLE I	Cultural Map of Intercom and Extercom Prior to the Merger		
Company	Values	Behavior	Perceptions of Members of Other Firm
Intercom	Flexibility, agility	Being first with R&D and in the market	Sloppy, tend to not complete assignments
	Improvisation	Meeting target by all means	Unprofessional attitude towards clients and products
	Quick response, Short-term perspective	The client is always right and needs a solution	Doing before thinking
		Fast mobilization and interorganizational cooperation	Covering up of deficiencies
Extercom	Planning, formal control, bureaucracy	Working methods and organization	Bureaucratic and inflexible
	Accuracy	Emphasis on feasibility before promising delivery	Slow to respond, hiding behind quality standards
	Long-term perspective	Emphasis on R&D and strategy	Care more about technology than market

leading communication leaders, the company developed strict planning methods and very organized SOPs (standard operating procedures). Although small, the bureaucracy in Extercom was very noticeable, in all walks of company life. Also, because they work with companies like Simons or German Telecom, their quality control and product standards have to meet high requirements. Intercom, on the other hand, originated from the field of IP (intellectual property) and worked mainly with small and medium telecom companies, many in developing countries, and accordingly, had to be very responsive, react fast, and improvise a lot. Intercom is very Israeli, a culture of doing before thinking, "everything is going to be all right" and lots of improvisation.

The hallmark of the planning for the BroadBand merger was to create speedy integration, which research has suggested contributes to the likelihood of merger success.

By discussing these cultural differences, mutual learning occurred (cf. Buono & Bowditch, 1989; Haleblian & Finkelstein, 1999), which allowed the parties to transcend the differences through the commitment to a merger of equals. As Ram, a member of the cultural integration team (originally from Intercom) noted:

> We realized that at the end of the day there are big cultural differences between us. However, we also realized that the merger was a must, so we have to take the best out of the two cultures and build a new one. This can be done only if one appreciates the differences and sees the other as an equal.

An orientation of openness, as reflected in Ram's words, was a necessary condition for the mutual learning that was needed for the new organization to succeed.

Arguments about equality in mergers have indicated that this type of phenomenon is merely a symbolic gesture aimed at defusing potential conflicts and smoothing cultural differences (e.g., Chatterjee et al., 1992; Elsass & Veiga, 1994; Larsson & Finkelstein, 1999; Zaheer et al., 2003). Our findings revealed that the symbolic notion of equality is intended to guarantee a sense that the merger is needed and a sense that the merger is vulnerable during the delicate periods when the merged organization is in its formative stages. The Chief Operating Officer in charge of the entire postintegration process and later BroadBand's CEO stated:

> Although the merger is based on the prospects of success in the long run, by focusing on the WiMAX and mobile WiMAX, still we had to "pull the wagon" [the merged firm] every day. This is why we have in BroadBand strong genes of survival. It is embedded in our culture, and it doesn't matter if you are from Intercom or Extercom, we were all equal in this plight for survival during the early days. Don't forget, we merged during the slump period of the Internet and communications market.

Thus, as BroadBand confronted its postmerger integration and tried to overcome the uncertainties of the external market, members of the merged entity interpreted the merger of equals as necessary for the firm's survival. Furthermore, the strategic actions of managers from both firms were intended to provide shared meanings and identities based on declared cultural, technological, and marketing synergies. These synergies stemmed from the notion of complementary cultural values, which were enacted alternately and interchangeably by members of both firms to make sense of the merger. For example, Toni, a business development manager, originally from Extercom, explained how the process of new value creation was associated with the former firms' identities:

> At the beginning, each member was colored differently [singled out as either a member of Intercom or

Extercom], according to his or her original company. Now, company-wise I'm colored BroadBand, but professional-wise I'm still colored Extercom, which means values of professionalism and quality. Intercom members are also colored differently when it comes to aggressive marketing or improvisation, which was part of their strength, and [this] colored BroadBand organizationally.

Thus, the changing business environment led to creating norms of equality that endorsed the premerger cultural values by integrating them into the new BroadBand culture. This pattern implies a more flexible understanding of the meaning of equality. It paints a merger of equals as new interpretations of premerger cultural values that were conducive to postmerger integration, rather than as a rigid system of equality in all things regardless of their effectiveness. The particular cultural values of the original firms, such as professionalism or aggressiveness, were reapplied when necessary. These values were chosen because BroadBand's strategy, organization, and market called for adapting them as part of a cultural repertoire that fit the particular context and time of the postmerger integration.

Creating the new culture soon transcended the notion of equality due to other considerations, which sometimes meant placing short-term considerations ahead of meeting managements' core merger objectives and promises made. Because the merger took place when the telecom market plunged, BroadBand laid off 10% of its workforce. This move contradicted declared promises that BroadBand's leadership made and decreased trust between management and employees. As Daphne, the HR manager, explained, "It was difficult to get commitment to culture change. People lost interest in the big picture, looking at their tasks only. So immediately after the merger, we lost our innocence and our family start-up culture forever. I think this was for the better; others [are] still mourning."

BroadBand developed through both interactions between members of the two firms

and management directives and decisions regarding issues that strongly influenced the company's values and assumptions. Management signaled its intentions and preferences through various actions that employees considered as the merged organization's strategic course of action. For example, high value was placed on individual needs yielding to collective needs. Ada, an Intercom marketing manager who monitored the early stages of the postmerger integration, explained:

> We created new culture through shock waves. Of course, the common way is by letting people go. I remember that the biggest shock for Extercom people was the decision to let go of their technological genius. It was a strong message. We knew that we were losing one of our best and most innovative technological people. But it showed pretty clearly to all, that we are more concerned with developing a team culture, and won't hesitate to let go those who we think are not [a] fit.

Creating the new culture soon transcended the notion of equality due to other considerations, which sometimes meant placing short-term considerations ahead of meeting managements' core merger objectives and promises made.

Surprising or not, these moves were powerful ways to change employee thoughts and behaviors, but were also dangerous, because they could bring with them acute motivational problems.

Discussion and Conclusions

In this case study, we have attempted to show how and why managers use a "merger of equals" strategy of action to create cultural synergy in a new organization. In this case, the two parties, both technology start-ups, operated with different cultures, but had a shared understanding of their common business environment and the meaning of success in the pioneering domain of wireless Internet. This shared understanding of the

business environment led both to decide that their best option was a merger of equals. This occurred despite the fact that each party held different assumptions about how to proceed in the new wireless Internet/ communications world, which had shaped each of their decisions to enter niche markets (institutional and small- and medium-sized markets) and accordingly, their types of technology, products, and culture. The fact that the merger was perceived as an opportunity to succeed in a new market through technological innovation, rather than a plan to achieve synergy by merging the existing assets of established firms in a mature market, made it more likely to be a merger of equals. Thus, our case study reflects dynamics that may be at the heart of many mergers that occur in similar space, in which joining is a strategy for moving forward into new competitive space, rather than simply consolidating assets in a mature space.

Thus, our case study reflects dynamics that may be at the heart of many mergers that occur in similar space, in which joining is a strategy for moving forward into new competitive space, rather than simply consolidating assets in a mature space.

According to some M&A scholars, mergers of equals, at best, only pay lip service to true equality (Marks & Mirvis, 1997; Zaheer et al., 2003). In this article, we have demonstrated that a merger of equals is associated with complex considerations of implementing an integration strategy. BroadBand's managers offered a series of justifications for their decision to pursue a merger of equals, including a new mission, compatibility and complementarity of markets and technology, and having the best of two worlds. Portraying the merger as being between equals, in turn, facilitated creating a safety net for the employees of both firms, who perceived guarantees of continuous employment, rights, and status as well as increasing the potential success of the new organization. Furthermore, portraying the merger as being between equals enabled top management to demand personal and organizational sacrifices and a willingness to shed the merging firms' identities for the sake of BroadBand's new identity.

By emphasizing the need to respond to potential crises in the marketplace, the merger was painted as a chance for both firms to enhance their chances for survival.

Thus, portraying the merger as one of equals signaled management's belief in the commitment being made and acted as a request for cooperation, regardless of one's organizational affiliation. Top management's declaration was one of equality in everything, including distributive outcomes. This commitment to equal outcomes, however, was relaxed in the merged organization because the expanded organizational activities and operations required a degree of flexibility regarding the way things were done during postmerger integration. In a sense, a new notion of justice emerged, one more similar to "interactional justice" in which being treated with dignity and respect is paramount (Bies & Moag, 1986). At Broadband, managers and employees came to define justice not according to tangible assets and outcomes, but rather through a sense that the cultural norms and values of the new organization appreciated the contributions individuals made regardless of their prior organizational affiliation. In particular, members of the merger's less dominant organization (Extercom) strived to be an equal partner in the new organization by being appreciated for their professional skills (Bies, 2001; Colquitt, 2001). At BroadBand, the meaning of a merger of equals rested on a sense of integrative justice in which members of the new organization saw the merger as equal as long as they perceived both their premerger identity and postmerger role and activities as conducive to the company's success.

A major dilemma stemming from the merger of equals in the postmerger period centered on the dynamics of integrating the two firms. Although management stressed the cultural synergy between the firms, at the outset the steps taken in the evolution of the new culture were carried out under the auspices of the differences between the firms' cultures (cf. Chatterjee et al., 1992; Vaara, 2000). As the organizations merged, the agglomeration of practices and systems simultaneously created internal competition for

dominance (see also Meyer & Altenborg, 2007; Schweitzer, 2006). Management promoted a culture of agility, improvisation, quick response, and customer orientation, which were considered the dominant characteristics of Intercom, as well as the orderly, coordinated, and planned work systems of Extercom. Adopting these qualities called for using practices of equality according to management's strategic actions. For example, the premerger cultures were not only a mechanism for creating the perception of equality, but they also helped to make sense of the decision to merge. And, during the postmerger, they helped management justify departing from a strategy of action based on distributive equality (Zaheer et al., 2003). By positioning the merger as one of equals, it was the differences—not the synergies—of the premerger cultures that became a shared and accepted mechanism for creating cohesion in BroadBand. Furthermore, changing the meaning of equality facilitated integration by adapting both new and old work practices and routines (Schweitzer, 2006). At BroadBand, selecting the values and practices was based on the need to retain established competencies and routines, while at the same time building new ones according to the merger strategy.

We have found that culture influences actions and practices of equality by providing a repertoire of values, organizational capabilities, and strategies of action (e.g., Swidler, 1986, 2001). At BroadBand, the degree to which employees accepted or rejected distributive and integrative equality that stemmed from the two companies marked the shift from the *perception* of distributive equality to *integrative* equality. In this way, managers pursued values that drew interchangeably and alternately on the practice of equality, allowing a new and opportunistic practice of equality associated with management's strategies and actions to emerge. Thus, the notion of distributive equality, which justified the merger, was blurred through the integration process.

This article contributes to multiple issues associated with culture and equality in mergers and acquisitions. First, it enhances our understanding of how and why actors entering into a merger of equals may enact a culture of equality. They may do this by developing new aspirations, dispositions, and patterns of appreciation, as well as practices and strategies that construct equality as an integral part of the merger. Furthermore, equality can be a valuable, instrumental practice when the merger's main task is to achieve market leadership. Such a goal requires a strategic approach backed by an adaptive structure and culture. Thus, working to create a new meaning of equality implies that social actors "are empowered by structures, both by the knowledge of cultural schemas that enables them to mobilize resources and by the access to resources that enable them to enact schemas" (Sewell, 2005, p. 151). Second, distributive equality, which was presented as the raison d'être of the merger and a definitive guideline for the integration, may distract management from dealing with reality on the ground. Once distributive equality becomes a liability, it creates the impetus for change. These changes in the meaning of equality are not developmental, but take place alternately and interchangeably according to management's actions. Third, contrary to the skeptical and cynical portrayal of a merger of equals as an opportunist's lip service (Sorkin, 2007), we consider equality as a crucial factor during integration. It has a direct impact on the strategies of action and practices during integration and reinforces certain cultural values over others. In a merger of equals, therefore, management brushing aside equality as empty rhetoric, without understanding how it affects the success or the failure of the merger, can be short sighted. Similarly, implementing distributive equality indiscriminately, without noting internal and external changes, can be problematic and disruptive to the integration. Fourth, this study contributes to our

By positioning the merger as one of equals, it was the differences—not the synergies—of the premerger cultures that became a shared and accepted mechanism for creating cohesion.

understanding of mergers of equals through an in-depth case study using emic empirical data. The data reveal how social actors mold the notion of equality by alternating between distributive and integrative equality through instituting new practices (cf. Schatzki, Knorr-Cetina, & von Savigny, 2001). Finally, this case illustrates the importance of mergers of equals in start-ups. Taking into account the large failure rate among high-profile mergers of large corporations that were constructed as being between equals (e.g., Daimler/ Chrysler, Sirius/XM, Credence/LTX), studying start-ups (or entities in continuous change) can provide new insights into how merger of equals should be carried out.

In sum, at BroadBand equality was viewed as a cultural problem that continually required actors to make sense of the merger with premerger decisions, during the planning stages, and as frequent changes marked the postmerger integration. The result was a set of strategic actions that changed the meaning of a merger of equals from true equality to a more practical and pragmatic outlook—or integrative equality—that considered the interests and needs of the merged firm (cf. Swidler, 1986). We found that a common assertion in mergers of equals is the notion of balance, which serves to buffer objections before and rejection during the integration process. Thus, in the formative merger period, maintaining balance between the two companies in areas such as layoffs, managerial positions, or work practices provides the firm with an effective mechanism for integrating. Later however, during the actual integration period, balance ceases to become a concrete tool, but still serves to symbolize the initial intentions of the merger. This is perhaps most significant when considering that an ethos of equality may enable a smoother integration process.

Implications

There are three practical implications of this study. First, we suggest that culture provides a way to change the meaning and practice of equality in mergers of equals. For BroadBand's management and employees, this entailed abandoning, appropriating, reinforcing, and inventing practices and norms that eventually facilitated a shift from perceived distributive equality to integrative equality. Moreover, culture appeared to be the key mechanism for building an organizational identity rooted in the legacy of equality that corresponded to management's strategy, by creating a sense of belonging and recognition both inside and outside the organization (Weick, 1976). With this study, we have shown that presenting the merger as one between equals provides strong symbolic signals for members of the merged companies. This motivates their commitment to change and sacrifice so that the new organization has potential to survive.

Second, we suggest that culture affects strategies of action in mergers of equals through the actors' ability to apply a given practice of equality depending on their position and relative resources. Thus, the case of BroadBand represented the prospects of building a culture that was flexible enough to retain the equality practices and values of both the dominant and the less dominant party. This is crucial because eliminating equality for the sake of control may deprive the merged organization of a necessary cultural repertoire that can be useful later in the life of the new entity (cf. Vaara & Tienari, 2002).

Third, our study implies that in planned mergers of equals, management deliberately mobilizes equality in a distinct action plan for smooth integration. Planning for a strategic and internal fit between merged companies, however, often falls short of what management expects (cf. Schrader & Self, 2003). Indeed, portraying the merger as one of equals serves as a preemptive measure aimed at reducing conflicts and creating convergence, rather than divergence, of the different cultures. In this way, the notion of a merger of equals facilitates creating a new culture by mutually appreciating the original cultures. These findings stand in contrast to Meyer and Altenborg's (2007) claim that "Instead of facilitating the social integration process, the equality principle led to percep-

tual and structural fallacies negatively influencing social integration" (p. 257). Our optimistic tone may sound naïve or idealistic. The onus to succeed in using equality to integrate successfully, however, lies on the shoulders of management. How to implement it, exactly, is beyond the scope of this article, but it represents an important direction for future research.

Finally, future research should investigate how power influences the meaning of equality in mergers. Analyzing power in a merger context takes into account the relations between members of the premerger organizations regarding their former roles and status. Given the role that interactions and relationships play in expressing and understanding power, the study of mergers of equals may benefit from using interactional justice (Bies, 2001; Colquitt, Greenberg, & Zapata-Phelan, 2005) to explain how it shapes the nature of postmerger integration.

Notes

1. All firms and participant names are pseudonyms.

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| APPENDIX | Interview Protocol |

- Personal details: Name, employment history, education, positions in Intercom/ Extercom, positions in Broadband, number of years of employment.

- How and when did you hear about the merger?

- Did you take an active part in the planning/execution of the merger? If so, please describe your role.

- Describe the process of the merger as you experienced it.

- How did the merger influence your work practices? Your position? Your status? Your work environment?

- How do you compare the two companies in terms of their technology, practices, working environments, culture and employee relations?

- What do you think (if any) were the constraints of the merger? Difficulties? Strengths? Weaknesses?

- In what areas do you find synergy between the two companies?

- Was this merger a "merger of equals"? In what respect(s) – please be specific.

- Did you experience difficulties in adjusting to your Extercom/Intercom peers? In what way(s)?

- Is the company "one" now or still divided? Please describe how this manifests throughout the merged organization.

- How would you evaluate the performance of management during the merger?

- Did you have enough information about the merger and its objectives?

- Is it a "successful merger"? Why? What, if anything, could have been planned or implemented better?