Case study: Cultural integration challenges of a merging between a two Chinese companies

Gebbre Ooi

Haaga-Helia University of Applied Sciences

Bachelor's Thesis

2022

Bachelor of 2019

Abstract

Author(s)
Gebbre Ooi

Degree
Bachelor of Business Administration, Multilingual Management Assistant

Report/thesis title
Case study: Cultural integration challenges of a merging between two Chinese companies

Number of pages and appendix pages
41 + 2

This bachelors thesis is about a merger between two Chinese companies specialized in the supply of Asian goods. The decision to merge was made in 2022, and the companies are currently still in the process of the merging.

The companies are both of Chinese background, and have a lot of similarites. However, the companies are facing merging integration challenges. The researcher's intention was analyze the aspects of integration from a cultural perspective. The objective was to figure out what areas cause conflict in the new company culture, by analysing the past company cultures as separate entities against the prevailing company culture. The subobjective was to come up with ideas to alleviate conflict in the merging.

The theoretical framework was based on Edgar Schein's three-level model of organization culture. The company analysis was based on Schein's model. As a case study, this thesis will focus solely on the two merging companies.

Qualitative research methods were used for this study. The chosen methodologies were interviewing and observation. Observation was done on two separate days, and a representative of each company was interviewed in November 2022. The interviews were conducted as separate, one-time sessions. Data analysis was conducted using deductive analysis.

Based on the analysis, disagreements stem from the base layers of culture, regarding unconscious and unquestioned beliefs. The disagreements stem from differences in leadership style. National culture is a part-reason for the differences, but past experience and previous learnings are the major contributor to the differing leadership styles.

Keywords
Organization culture, Chinese business culture, merger, conflict.

Table of contents

1 Introduction 1
1.1 Background 2
1.2 Purpose 3
1.3 Objectives 4
1.4 Delimitations 4
2 Framework 5
2.1 Organization culture 6
2.1.1 Culture according to Edgar H. Schein 7
2.1.2 Schein's model – 3 levels of culture 8
2.2 Chinese Business culture 11
2.3 Merger 12
2.3.1 Merging integration and culture 13
2.4 Conflict 14
2.4.1 Conflict outcomes 14
3 Research process 16
3.1 Chosen approach: qualitative 16
3.2 Case study 17
3.3 Description of methodology 17
3.4 Implementation 18
3.4.1 Observation 18
3.4.2 Planning 18
3.4.3 Interviews 19
3.5 Data analysis 19
4 Results 20
4.1 Comparison of facilities 20
4.2 Comparison of working environment 21
4.3 Communication and relationships 22
4.3.1 Teambuilding 22
4.4 Leadership style 23
4.5 Attitudes 24
4.5.1 Attitudes towards employees 24
4.5.2 Leadership attitudes 25
4.6 Values 26
4.6.1 Company related values 26
4.6.2 Important values of leadership 27
4.6.3 Employee specific values 28
4.7 Merging benefits 28
4.8 Merging challenges 29

4.8.1 Suggested focus points by interviewees....30
5 Discussion....31
5.1 Analysis of results....31
5.1.1 Areas of differences and conflict....31
5.1.2 Company AB: analysis of basic assumptions....32
5.1.3 Company AB: analysis of espoused beliefs and values....34
5.1.4 Company AB: analysis of artifacts....35
5.2 Conclusion....37
5.3 Suggestions for further development....38
5.4 Reliability and validity the of research....38
5.5 Evaluation of the whole thesis process....40
5.6 Personal learning....40
Appendix 1. Interview questions....45
Appendix 2. Observation notes....46

1 Introduction

“In the twenty-first century, the whole world is your marketplace, and the people you work with come from every part of the globe. Indeed, global diversity is not a slogan; it’s an everyday fact of the workplace.” (Solomon & Schell 2009, 7–8.)

In the shift from the second to third Industrial Revolution, in the beginning of the information age, success was achieved based on financial resources, technology, and labor power. Leadership skills were linked with efficiency and ensuring the productivity of employees. Along with the shift to the information age, came different kinds of needs, needs that utilized each person’s personal skills, according to Solomon and Schell. (2009, 9–10.)

Organization management underwent significant changes to accommodate globalization and new competencies. The significance of understanding culture grew, and more attention was given to building positive and strong company cultures within organizations. Which brings us to the topic of the thesis.

In this thesis, we will delve into a case study of a merging company. Two Finland based businesses, specialized in the import and export of Asian food industry, decided to join forces. In 2019, the covid-19 pandemic had great impact on the business environment and caused many businesses to face crisis. Businesses had to adapt and look for new ways to survive. The merging decision was motivated by external challenges, and perhaps without the pandemic, the two case companies would have remained as separate entities. The dynamic nature of the business environment ushers companies to take on new approaches in the pursuit of safety and stability.

For the thesis, I would like to take a look into the integration process of the merging company. Merging has its advantages, but they’re only reaped if the merging is successful. Successful integration is key to the merging process. I was interested about what cultural factors can affect the integration.

The merger happened to occur around the time I was planning to write a thesis. The deal was a huge step and a first M&A experience for both companies, and since early on, there has been conflict during the merging process. A merger like this doesn’t happen often, and as I have a close relation to this company, I had the opportunity to look at the process from a closer perspective.

“You will not succeed in global business today, if you do not understand, appreciate, and know how to manage across cultures.” (Solomon & Schell 2009, 7–8.)

1.1 Background

This thesis will concentrate on analysing a merger of two companies. The two companies involved in the merging are based in Helsinki, Finland, and sell supplies to restaurants. The leadership in both companies is Asian, the current owners having migrated to Finland in the 1990s. The following information is extracted from a conversation with a founder of one of the companies.

The first company is a trading company focused on importing Asian aliments and goods. It was first established in 1995, but there was a change in ownership in 2010. This company from now on will be referred to as Company A. The second company is a younger company in the same industry and was established in 2011. This company from now on will be referred to as Company B.

Both Company A and B import Asian goods from overseas and have a very similar product selection. They own similar business models and target the same customer group. Company A has a brick-and-mortar store that sells goods to end customers, but both companies mostly sell products B2B – wholesaling goods in volume to restaurants and restaurant chains. Their product offering is not restricted to Asian goods, and include sales of salmon, pizza ingredients, and food containers amongst others. In addition, both businesses offer delivery services upon request, so their business model includes logistic services as well.

Wholesaler companies are considered competitors, but in particular those who sell Asian grocery products. In this industry, there is high competition, and the applied competitive strategy is cost strategy, meaning that there was a constant war of low prices. Operations under one company would mean having a combined clientele and a “truce” in competition of prices. (O.C., 28 October 2022.)

The first contact between these companies was in 2016, otherwise only aware of each other through customers. The first business dealing they had was a joint effort to sell face masks, in 2019 when the covid outbreak started. It could be said that covid-19 and the uncertainty it brought was one of the motivations for merging for the companies. Part of the merging motivation lies also in Chinese business culture, and the relationship building and information network that concerns it, but we’ll delve into that in a latter part.

1.2 Purpose

The merging of Company AB started in 2022 and is still an ongoing process. The merging is intended to be completed in 2023.

The merging motivations for the company were mainly strategic, regarding

- Increased cash flow
- Reduction of competition and ending price war
- Combination of customers and contacts, so expanding market share
- Access of economies of scale – being able to purchase whole containers of products instead of half ones
- Significant reduction of costs.

(O.C., 28 October 2022)

These motivations reflect the advantages of merging, and undoubtedly, more attention and emphasis were put on the advantages when the merging was decided.

DealRoom summarizes top reasons why M&A Deals fail, and listed amongst them: lacking good motives, overestimating synergies, losing trust of important stakeholders, failed integration, and failure to recognize when to pull out if evidence indicates it. (Dealroom 2022.)

Company AB is seeing challenges that indicate the merging is facing integration issues. A representative from Company A named several factors for dispute, such as authority clash at the leadership level, shareholder disagreements regarding operations, and customer dissatisfaction. (Representative A, 28 October 2022.)

At a first glance, the merging companies seem very similar. The companies have much in common: a similar starting time, similar products, a similar business model, and similar annual revenues. The leadership in both companies are of Chinese background that have migrated to Finland. Both companies affiliate with mainly Asian, and mostly Chinese customers. However, the two companies come from similar cultural backgrounds, but seem to have nurtured different organization cultures as separate organizations, which assumedly is the root cause of conflicts in the current culture.

The new company culture is still developing while the merging takes place. Company AB realizes the importance of the integration on an operational level but hasn’t taken steps to look at the integration on a cultural level. The company has yet to understand where their

disagreements stem from and doesn't recognize that part of their challenges may originate from a cultural clash.

1.3 Objectives

Before the merging, Company A and Company B can be looked at as separate entities. Therefore, they have had their separate cultures and represent different versions of integration as a Chinese-cultured businesses working in the Finnish environment.

As the main objective, the thesis writer intends to analyse the previous organization cultures to find out where do these differences in organization culture stem from.

The researcher would like to find out which areas/factors are causing disagreements in the new company culture. A subobjective is to ideate steps (that can be taken) to alleviate problems in the integration process and help the company achieve a stronger organization culture.

To recap, the objectives of this thesis are to look for differences between organization cultures within Company A and B, identify any pain points of cultural interaction, and explore solutions on a practical level. Although the focus is on the situations of conflict within these companies, the goal would be that research results will extend for further use for other companies that might face cultural conflict.

1.4 Delimitations

This thesis will solely focus on analysing the company cultures and conflicts within the two companies chosen. The research is time-bound and analyses the current situation of the company, making findings context-dependent. All reasonings and findings are interpreted based on the current phenomenon within company activities. Therefore, the results presented will naturally be catered to the company at hand.

The thesis writer will not research all the reasons for the merging challenges, nor analyse if the company's merging is a success. Instead, the focus is to look for underlying reasons for organization culture differences. Lessening conflict in culture and improving interaction within company culture can be a significant factor that contributes to (a) successful merging integration.

2 Framework

The theory part is based on Edgar H. Schein's three levels of organizational culture. In addition, definitions of key concepts will be provided, and opened for the purpose of better understanding of the topic. The following key concepts are *organization culture, Chinese business culture, merging, and conflict*.

The main theme of this thesis is organizational culture. To understand it, we must first understand the definition of an organization, and what culture is.

Culture

The concept of culture isn't explanatory in one way. There are many definitions of culture depending on the context culture is talked about. Hofstede stated in his book that "Culture is to human collectivity what a personality is to an individual (Hofstede 2001, 10)." That gives an image of the complexity of culture and the reason for its many definitions.

Culture, through the definition offered by Hofstede, is the "collective programming of the mind that distinguishes the members of one group or category of people from another. (Hofstede 2001, 9.)

In another explanation, culture is a "set of patterns of human activity within a community or a social group, and the symbolic structures that give significance to such activity." (Wikipedia 2022.)

Culture consists of an interaction between predominant values and patterns of behavior. Values refer to the beliefs and assumptions that individuals bring with them to the workplace. They are deeply held beliefs concerning such fundamental matters as the nature of people and relationships, how to deal with conflict and solving problems, as well as the goals and purpose of the organization. – When a cohesive set of values become predominant in a group or organization, those shared values come to shape patterns of behavior (Spector, B. 2007, 70).

Organization

"Organizations are sites of controlled and coordinated activity". (Keyton 2011, 4.)

An organization is defined as a “dynamic system of organizational members, influenced by external stakeholders, who communicate within and across organizational structures in a purposeful way to achieve a superordinate goal.” (Keyton 2011, 9.)

The following key elements are present in every organization:

- Ordered and purposeful interaction among people
- Communication within and across structures
- A common, superordinate goal.

The members of an organization commit to certain roles and behave accordingly when interact within and outside the organization. The members are indirectly linked through a network that is formed through organization activities and communication channels. All activities are directed to pursue a goal, that is only achievable by using the combined resources of the organization members. Organizations are linked to, and form interdependencies with the external environment. Organizations are dynamic systems that interact internal and external stakeholders and respond to the environment. (Keyton 2011, 5–9.)

From Hofstede’s book, the word culture is usually reserved for societies, but can be applied to any human collectivity. (Hofstede 2001, 10.) Organizations can be thought of as social groups, therefore, have a culture.

2.1 Organization culture

Organizational culture is the set(s) of artifacts, values, and assumptions that emerges from the interaction of organizational members. An organization’s culture becomes the framework against which organizational communication is evaluated and is the avenue for creating collective and individual action. (Keyton 2011, 28).

Hofstede differentiates organizational culture from national culture by stating that cultural differences on a national level reveal themselves as differences of values, whereas differences in organizational culture emerges from the organization’s practices. (Hofstede 2001, 373.)

Organization culture is an emergent phenomenon. As the members of an organization fulfil their activities, certain patterns surface. Upon repetition, these patterns form the silent basis for how the organization chooses to run its operations. These patterns can be identified, but the origin of “why we work the way we do” might be forgotten once the pattern becomes a norm. (Spector, B. 2007, 70-71.) The most prominent, or desirable patterns can be documented and used as a guidebook to direct activities.

Culture is continually produced by its members. Patterns, expectations, and norms emerge as meanings are negotiated and renegotiated as members enter and exit the social structure. (Keyton 2011, 17.) Therefore, when culture is passed onto new members, they also partially redefine the organization culture at hand.

Organization culture is not tied to a location, but rather to the way the organization members share meanings and interpretations of “how to do things here”. (Keyton 2011, 21.)

2.1.1 Culture according to Edgar H. Schein

Edgar H. Schein describes culture as the learning of patterns, beliefs, and behavioural norms as a result of how a group solves its problems related to external adaptation and internal integration. The ways that have worked well for the group will then be adopted over time, and eventually turn into basic assumptions that will be taken for granted and taught forward to new members as the “right way to do things”. (Readinggraphics 2022; Schein 2017, 6.)

The concept of culture implies structural stability, depth, breadth, and patterning or integration that results from the fact that culture is for the group a learned phenomenon just as personality and character are for individuals learned phenomena. (Schein 2017, 10.)

So according to Schein, there are four characteristics that instate culture:

Structural Stability

Certain aspects of the culture must be stable for them to be recognized as part of the culture. The stability provides meaning and lays a basis for the formation of the group identity. This description refers to the deeper layers, the basic assumptions of a culture – the cultural DNA. They are difficult to change, but as culture is dynamic, when actions are reinforced enough, they can make it to the bottom layers of culture. The characteristics that are part of the cultural DNA sustain although part of the members leave the organization. The cultural DNA can be broken in the face of a major change, such as change in ownership. In that case a new culture can take place. (Schein 2017, 10.)

Depth

Culture has a sense of depth. Aspects of culture that are visible and observable don’t give an accurate or complete image of the present company culture. Instead, the essence of the company culture is in the core, where lies the cultural DNA – the basic assumptions,

taken for granted values, and unquestioned beliefs – which are less perceivable from the surface. (Schein 2017, 10.)

Breadth

Indicates that once culture has been established, the patterns and beliefs reach all parts of the organization. The primary purpose: the mission, the strategy, the way an operation chooses to run its functions – all of these are products of shared learning and are therefore influenced by culture. (Schein 2017, 11.)

Patterning or Integration

Patterning means that various elements of the deeper levels are tied together to form a coherent reality, in attempt to form a coherent understanding of the environment. The essence of a culture is formed through tying together values, rituals, behaviours, into one entity. This is done as a human tendency to attempt to make better sense of one's environment in order to decrease anxiety from uncertainty. (Schein 2017, 11.)

Nevertheless, there will inevitably be contradicting themes in layers of culture, due to the nature of things being learnt at different times.

When new members enter a culture and bring forth aspects of their former culture, that can alter the existing culture, either causing conflict, or forming something new. Collective change can produce a subgroup, and they can unintentionally forge a subculture. The emergence of subcultures is in relation with the growth and development of the organization. The subcultures may not resemble each other and even differ from the main organization culture. (Schein 2017, 11.)

2.1.2 Schein's model – 3 levels of culture

Edgar H. Schein is a renowned professor at the MIT Sloan School of Management. Schein is most known for is his model of organization culture, developed in the 1980's.

Although developed further, this three-level model remains strong as a theoretical base for organizational analysis (Schein 2017, xiii). Further research has been done to make the model gain depth, but the general structure remains the same. In this model, organization culture is distinguished into three levels based on *visibility* to analyse organizational culture.

These three levels are the artifacts, espoused beliefs and values, and basic underlying assumptions.

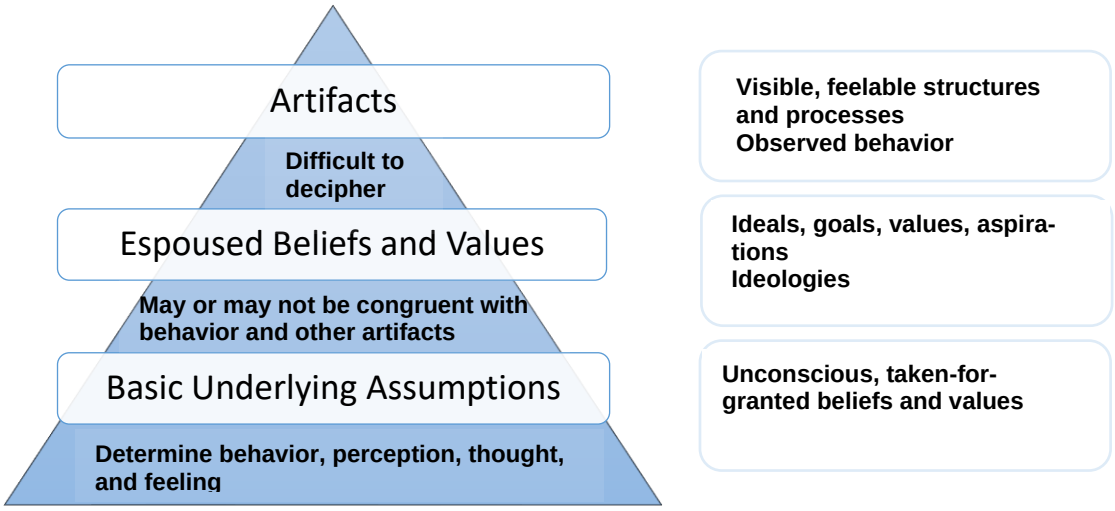

Figure 1. The three levels of organization structure (adapted from Schein 2017, 18.)

Artifacts

The first layer encompasses the perceivable, surface elements when first encountering a foreign culture.

Artifacts encompass visible symbols such as the logo, the brand colours, the furniture and architecture of the facilities. They include employee appearance: behavior, dress code, manners of address (titles). In addition, the day-to-day rituals, mission, vision, stories told, and published list of values are part of the artifacts as well. A manifestation of the culture called group “climate”, is also considered an artifact. It doesn’t describe the culture, but some parts of the underlying assumptions get translated into a visible form. (Schein 2017, 17–18.)

These elements are easy to observe, but harder to interpret. Without diving deeper in analysis of the organization culture, we are much more likely to interpret artifacts based on our own experiences and cultural lenses. (Schein 2017, 18.)

Espoused beliefs and values

Espoused values describe shared values. By shared, it indeed means that the value is accepted by the group. Espoused values usually manifest in employee actions. Schein (2017) describes it followingly:

When an organization runs into a problem, an approach will be offered to solve it. Usually, the perceived leaders will put forward a suggestion, which at this point, still reflects the leaders' assumption of the best way to solve the problem. Only once the suggested solution is executed by the group as a common effort and proved to be a solution valid for their problem solving, does it become a shared value. This is congruent to Schein's definition of culture as accumulated shared learning. (Schein 2017, 19.)

Not all values can be proven, but they can become part of espoused values when encountered with group consensus or social validation. Social validation is a psychological phenomenon where members follow the thinking or actions of each other, therefore reinforcing each other. Values can become valid, and in time – unquestioned, if they become a shared social experience. (Schein 2017, 20.)

So espoused values describe the declared set of values the organization has. They are **conscious**, dictate interaction and set a standard of how the organization acts in key situations. They serve as a guide to how the organisations wants to be represented – introduced to new members and communicated to the external world. (Schein 2017, 20.)

Espoused beliefs and values can be vague, and a distinction should be made between values that are 1. desired 2. part of the ideology and 3. are really demonstrated in activities. Some values and beliefs can sometimes conflict with each other. (Schein 2017, 20.)

Values can become beliefs and through reinforcement, turn into a shared assumption, moving to the deeper levels of culture. For the transformation to occur, the values provided must be considered either reliable or common.

Basic assumptions

Basic assumptions describe the layer that stows the unquestioned, deeper aspects of culture. They are the taken-for-granted assumptions that "tell group members how to perceive, think about, and feel about things". (Schein 2017, 22.)

The human thought world is based on our earliest learnings – and these form our perception, thoughts, how we interpret the world and ultimately, how we form our reality. In other words, our basic assumptions, values, and beliefs are eventually become equivalent to our realities.

Schein (2017) names two reasons why culture holds its ultimate strength at this level:

1) People strive to construct a cohesive world. The way one perceives their world forms their identity and their self-esteem, through reinforcement. Deviations indicate that we do not, after all, have understanding of the world around us, and having to question our world view brings anxiety. Psychologically we avoid this and try to form a more understandable reality.

2) People seek the comfort of familiarity and tend to reside with like-minded people with thought worlds akin to ours, forging a situation where the group's basic assumptions reinforce each other.

If we're set in a different culture, where basic assumptions differ greatly, feelings of dismay surface amid misinterpretations.

This layer seems to constitute problems especially with Asian cultures, as the basic assumptions often reflect opposite values in Western countries. An example from Schein's book is an anecdote of a mismatch of cultures between an Asian subordinate and an U.S. manager. A conflict occurred when the manager who prioritised problem-solving asked the subordinate for confirmation, whilst the subordinate found it hard to tell their true opinion, since their motive of guarding a superior's credibility was more important. (Schein 2017, 24.)

What's important to note is that all the three levels are linked with each other, and can transcend from one to another. But basic assumptions are hard to change because everything is built upon this. Basic assumptions are the driving force of organizational choices and culture, and therefore, if one wants to implement change, that's where the change must be instilled.

2.2 Chinese Business culture

When dealing with Chinese people, it's essential to understand the way it differs from the western culture. China is an old civilization, with a long history as a country isolated from others. Today, China is populated by 1,4 billion inhabitants (DataCommons 2022.). The Chinese culture is a strong, rich and widespread culture, and its influence in the modern business world must be considered. Chinese culture is heavily influenced by Confucianist views. Lewis summarizes well in his book (2006, Chapter 57), the basic teachings of Confucianism and its significant effects on Chinese business culture:

Unequal relationships are accepted and should be observed and respected. Each person will have a certain position, ranks matter, and so does seniority. Indicators of success are prized, such as title, awards, and education.

Every person should maintain each other's "face". In Chinese culture, face is comparable to one's reputation. It includes one's respect, dignity, and morality. The act of "giving face" means showing respect, and "losing face" means e.g., humiliation in front of others. Face-keeping is mutually guarded, corresponding with the harmony of the collectivist culture. This contributes to the use of indirect communication and the avoidance of public confrontation.

Important values tied to the Chinese culture are humility, patience, diligence, thrift, learning, respect for patriotism, respect for hierarchy and the elderly, courtesy, filial piety, tenacity, kindness, and consideration. (Lewis 2006, 486.) Saving, staying calm and moderating feelings is appreciated. Avoiding overindulgence increases long term orientation.

Guanxi

Another important concept in Chinese business culture is "guanxi". It explains the important leverage that the Chinese draw from their relationships and groups. Guanxi simply, is a phenomenon of interdependence that links two people in a cycle of favors that are reciprocated back and forth over time.

Relationships play a big part of successful business in Chinese companies. The network one builds for themselves can be influential. Trust is built over time, but when a strong relationship is established, it can be used as leverage.

In Chinese workplaces, building relationships is not a must for everybody, but will make the job easier and working together enjoyable.

"You scratch my back, I'll scratch yours."

2.3 Merger

A merger describes a situation where two existing companies form a new company upon mutual agreement. This merging represents a horizontal merger, where the uniting companies are direct competitors with one another, and sell similar products. Companies go forth with merging for several reasons, the main ones being gaining financial strength and market share. (Investopedia 2022.)

As a summary from Ansarada (2022), successful merges are proven to: spark company growth, save costs by decreasing duplicate operational expenses, and have the chance to benefit from synergies. Synergy is the term used for the added value or additional benefits which ideally accrue from the linkage or fusion of two businesses (Thompson J. & Martin F. 2010, 11). Synergies are not an evident product of a merging, which is why companies spend substantial amounts of time and resources to research and evaluate whether there could be potential synergies, or even if the companies would be a potential fit (Ansarada 2022).

Merging is a long and tedious process that can extends until years after papers are signed, and according to HBR (2022), around 70–90 percent of them fail if the integration process turns unsuccessful.

2.3.1 Merging integration and culture

Post-merger integration, PMI in short, is the process of bringing two merging companies together by combining their tasks, employees, and resources in the most efficient way possible (Leanix 2022). It involves practices such as adjusting routines, training, adapting technology and routines, employee engagement, and internal and external communication (DealRoom 2022).

Cultural factors and organizational alignment are critical to success and avoiding failure in mergers. (McKinsey 2019.)

According to McKinsey (2019), in order to manage cultural integration, an organization must first delve into organization culture, and investigate the ways work gets done. The next step is to set priorities in the integration, for example by identifying key areas that differ from each other, and work on outlining desired outcomes in themes. After that, efforts must be made to structurally facilitate and enable change in the organization.

Cultural change should always be led from the top and be delegated extensively throughout all levels of the organization. Change leaders can be appointed, and employees need to be empowered. Communication is key and should be extended to clients as well. (McKinsey, 2019.)

2.4 Conflict

Organizational conflict can be defined as incompatibility in goals, activities, or interaction within a social entity (Rahim, M. 2011, 26). There are different definitions for conflict, and conflict has been seen as a situation, a behaviour, as a process… and there isn't a one conclusive definition for it.

Conflict occurs when two parties with incompatible interests come together. It typically happens when two or more individuals, groups, entities have objectives, regarding their common endeavours, that disagree with each other. Conflict happens when one's actions get in the way of another's objectives, and can stem from differences in attitudes, values, beliefs, and skills. (Rahim, M. 2011, 13.)

The aspect of *competition* must also be considered: incompatibility leads to competitiveness – signifying that a win-lose situation might occur. In order to be considered a conflict, the parties involved must both recognize that they indeed have opposed interests, and that the success of one's actions/objectives somehow obstructs the other's. The awareness of incompatibility in addition to the wish the interfere or tamper with the other party's goal achievement, makes conflict. (Rahim, M. 2011, 26-27.)

In daily working life, conflict is inevitable. The more people, the more intricate the interactions, as goals differ. Even goals of employees and managers can be different, although both are technically working towards the same primary goal. Quoting Shearouse (2011), "Conflict happens when our own expectations, needs and wants don't match the expectations, needs and wants of others."

2.4.1 Conflict outcomes

Conflict used to be thought of as a detrimental aspect for organizations, but modern thinking doesn't exclude that conflict, when resolved, can affect productivity positively. Instead, it is thought that moderate amounts of conflict, paired with constructive handling methods, can induce advantageous outcomes. This doesn't mean that conflict is encouraged nor greeted with enthusiasm, but that the means to resolve conflict is not limited to avoidance or attempt to weed it out. (Rahim M. 2011, 24.)

Conflict outcomes can be divided functional or dysfunctional outcomes, essentially referring to whether the conflict was successfully managed or not. Rahim (2011, 17–18) provides the following examples of functional and dysfunctional outcomes:

Functional outcomes

- Stimulation of innovation, creativity, change
- Improvement of organizational processes
- Improved problem solving, and finding of alternative solutions
- Incentive to search for new approaches
- Need for clarification, delivering clarification of matters
- Enhancement of individual and group performance

Dysfunctional outcomes

- Increase of stress and dissatisfaction
- Increased chance of burnout
- Reduced communication, or quality of communication
- Chance of developing a climate of distrust
- Severed relationships
- Reduced performance
- Increase of resistance of change
- Commitment and loyalty to organization can decrease

According to Shearouse, good conflict management can result in higher productivity, employee morale, and employee satisfaction. Shearouse describes the cost of conflict as lost revenue, excessive employee turnover, high levels of absenteeism, presenteeism – where employees are present but unproductive, and high incidence of damage of equipment. (Shearouse, H. 2011, Chapter 1.)

Ignoring conflict tends to lead to outcomes that are dysfunctional. “Uncontrolled conflict can have serious consequences and ultimately lead to organizational disintegration.” – The lack of conflict also has its dangers. According to Rahim, an organization may risk facing stagnancy, mediocracy, and fall victim to groupthink. (Rahim, M. 2011, 21–22.)

Another important aspect about conflict is that it rarely only affects the two parties initially in disagreement. The outbreak of conflict can seep through the working environment and cause tension and discomfort to other workers too. (Shearouse, H. 2011, Chapter 1.)
Due to the inevitable nature of conflict, it is essential to realize that means of conflict management, therefore problem-solving, must be embedded into the organization design and day-to-day activities of the organization.

Conflict becomes an instrument of social change and influence rather than a symptom of a breakdown in social relationships. – It is now recognized that conflict within certain limits is essential to productivity. Conflict can be functional to the extend which it results in the formulation and creative solution to the right problems. (Rahim, M. 2011, 22.)

From conflict stems necessity, and from necessity stems innovation. From conflict, comes growth. (Shearouse, H. 2011, Chapter 1.)

3 Research process

The following chapter documents the general research process.

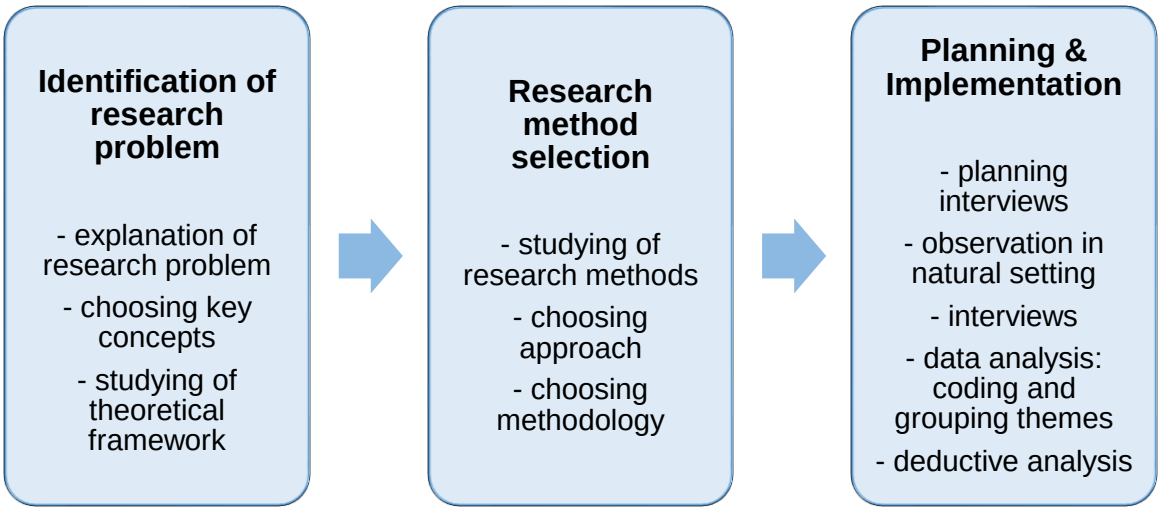

Figure 2. Summary of research process

3.1 Chosen approach: qualitative

As the objective of this thesis is to figure out solutions for conflicts that stem from underlying thoughts or values, a qualitative research approach would be suitable.

Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. (Creswell 2014, 4.) It aims to describe, understand or interpret phenomena and answer questions such as what, why and how (Drake & Salmi 2018).

Qualitative research looks deep into the quality of social life. It locates the study within particular settings, which provide opportunities for exploring all possible social variables, and set manageable boundaries. An initial foray into the social setting leads to further, more informed exploration as themes and focuses emerge. (Holliday 2016, 6.)

As the object of analysis is the merging of Company A and B, a qualitative design should be implemented – case studies in particular. Case studies are a design of inquiry found in many fields, especially evaluation, in which the researcher develops an in-depth analysis of a case (Creswell 2014, 14).

3.2 Case study

A case study is a detailed study of a specific subject, such as a person, group, place, event, organization, or phenomenon. Case studies are used to gain in-depth and contextual knowledge about a specific topic. They can be done as a single analysis, or as a comparison of multiple cases. Although focus is put on a specific case, the research tends to be bound to some theoretical framework. This enables findings to be referenced to previous studies and insights to be integrated into existing knowledge. (Scribbr 2022)

According to Scribbr (2022), a successful case study should have the ability illuminate new aspects, provide unexpected insights, and challenge existing assumptions. The researcher should be able to draft practical courses of action to solve the research problem or shine light on areas that should be researched further.

3.3 Description of methodology

The theory part involves the analysis of organizational culture on three levels: the artifacts, the underlying values, and the basic assumptions. The research will be conducted as a two-step analysis. In the first part, the researcher will use observation as the chosen methodology.

Observation is a means of collecting data that takes place in the participants' setting. The researcher collects data by watching, listening, reading, and recording behavior in the participants' natural setting, while taking notes. There are structured and unstructured observation methods. In structured observation, the researcher has predetermined variables that direct observation, whereas in unstructured observation the data collection is done in open manner. (Business Research Methodology 2022.)

Through relations, the researcher has the opportunity to visit and observe Company AB facilities firsthand. Observation is the most suitable method for the analysis of artifacts, the surface level aspects of organizational culture.

The second chosen methodology is interviewing. Interviews are interactional communication processes that follow a predetermined purpose, and where questions are asked and answered for information obtaining purposes, often between two parties (Charles J. & William B. 2014, 1-2). The implementation of information-gathering interviews will allow the researcher to ask purposeful questions that seek for in-depth responses from the interviewees, allowing the exploration of unforeseen and unpredictable insights (Charles J. & William B. 2014, 3). The goal is to shed light onto the underlying attitudes and feelings of

the experience of the participants midst the merging process of Company AB. The researcher hopes to extract responses that reflect the underlying values and basic assumptions of Schein's 3-level model of organization analysis at least partially.

From the perspective of looking at culture as a product of shared learning, there is reason to begin the culture analysis with a historical analysis, aiming to understand "what kind of learning has taken place, over what span of time, and under what kinds of leadership." (Schein 2017, 6.) Since part of the goal is to obtain information about the companies as separate entities, there is a need to probe into the past. With this method, the interviewer will have the best chance to do that.

3.4 Implementation

3.4.1 Observation

The researcher will visit the office space of Company AB and conduct unstructured observation. This will be done for the purpose of the analysis of artifacts, which are the surface level indicators of culture.

Although the researcher has no particular predetermined aspects to analyze, they will consider aspects that fall under the category of artifacts: the characteristics of Company AB facilities, the surface level communication and behavior of employees, and the day-to-day rituals. Observation will be implemented on at least two working days, on one quieter day and one busier day. In addition, the researcher will inquire about any published documents that reveal company values.

Data collection through observation will be implemented before conducting the interviews. Visiting the Company beforehand will allow the researcher to familiarize themselves with the facilities and allow the people working there to habituate to the presence of the researcher.

3.4.2 Planning

The interview will be scheduled for the participants on separate days. The interviews will also be conducted at the Company AB office space, in the work setting of the interviewees. Interviews will be scheduled with one representative from Company A, and one representative from Company B. Company culture is influenced top-down, so the interview samples will be chosen from leadership representatives, who also are more likely to be able to explain the company cultures history as separate entities.

The interviews will be conducted as a onetime session, face-to-face with the interviewees. This grants the opportunity to consider non-verbal cues, such as if the interviewee feels uncomfortable. The interviews will be separate and one-on-one with each interviewee to inspire honest and open conversation and prevent responses from influencing each other.

The interviews will be conducted as semi-structured interviews and the questions will be drafted in an interview guide, as the researcher is not familiar with interviewing. This will ease the management, function as a notetaking base, and help to ensure similarity of the interviews, and therefore establish validity. The questions are mostly open-ended questions, allowing interviewees to freely transmit their knowledge.

3.4.3 Interviews

Upon welcoming the interviewee, the interviewer first will introduce themselves and their role. The topic and reason behind the interview will be briefly explained, as well as the objective of the thesis. A small conversation will be initiated to create an atmosphere where the interviewee feels comfortable and ready to answer questions, and the interview will commence.

Before beginning the interview, the interviewees will be informed that the interview results will be presented anonymously, and that the purpose of the interview is to gather insights for research purposes, and by no means raise any reasons for harm or conflict to the workplace.

The interview will proceed with the aid of the prepared interview guide, holding the predetermined questions, but interviewees are allowed to bring up aspects they think are relevant to the topic.

3.5 Data analysis

Notes from observation will be compiled into a single document found in the Appendix. The interview notes are collected in the interview guide -template, and the researcher will proceed to organize this information. The interview guide provides good segmentation of information into categories. The researcher will primarily be using deductive analysis to categorize data in the following codes: artifacts, espoused values, and basic assumptions.

4 Results

The following chapter presents the findings based on the interview responses. The interview respondents were of managerial or leadership positions in their respective companies as separate entities, and sometimes are referred to as Representative A and Representative B. This chapter includes descriptions of the aspects that the previous company culture can be deduced from, in comparison to the manifestation of the combined company culture.

4.1 Comparison of facilities

Previous facilities

Company A locates in a warehouse facility. The office of Company A is situated in a loft space above the warehouse. There was a loose division of departments, but most the administrative functions were situated in the loft. It was an open office space, and employees handling sales, purchase and invoicing had desks there. The warehouse area accommodated the employees responsible for warehouse management, such as stocking, collecting the products, and delivery.

The previous Company B embodied a one-floor space, shared by all departments. The warehouse and office space were in separate structures and connected by an indoor passage. The office functions: purchase and sales, were distributed in separate rooms. The facility was rented and had simple furniture, as it was treated as temporary solution – so no further attention was allocated for the branding or renovation of the office space. The objective was to first focus on the development and growth of the organization, and eventually move out to better spaces, when focus could then be put on the appearance of the facilities.

Company AB facilities

Upon the merging, Company B moved to the facilities of Company A, making the current employee count around 100. Merging into one company required structural changes to accommodate the larger workforce. The expansion led to the segregation of departments, making the sales, IT, purchase, and financial departments of their own.

Followingly, the warehouse space had to be renovated to accommodate all the newly separate departments. The upstairs loft area turned into a space for the purchase department, and a new, boxed off area was built below the loft for the sales and IT departments.

The company rented surplus warehouse space. Although the purchase department remains upstairs as the sole department, screen walls are added, fencing off the area. In addition, signs reading “Employees only” are scattered around the departments. The goal is to maximize the use of space in the facility and bring functions that require frequent collaboration closer to each other.

Employees have expressed relief for the built structures, as this allows them to work in peace. When the office area was combined with the warehouse, employees often complained that the noise was distracting. Expanding the warehouse area created larger aisles and more space for movement. Generally, the structural and departmental division has contributed to smoother operations.

4.2 Comparison of working environment

Company A has a casual environment, comparable to and resembling more of a flat organization’s environment. They strive to establish a working environment that is bold and open. The communication between the managers and employees is laid back, and so long as the daily work gets done, they try to create a good working atmosphere.

> “It’s not about just the money, I want to make people feel inspired to come to work.”
> (A.E., 11 November 2022.)

Company B is ambitious, driven, and task focused. The leadership exerts high control, resulting in a stricter working environment. In the past, employees were not allowed to eat at their own desks while working. Employees work diligently and quietly to fulfil the company goals.

> “You must do your best to go forward. You cannot stop and rest.”
> (Representative B, 11 November 2022.)

In the combined company, the overall atmosphere is less strict than before, both in office and warehouse working. For Company A employees, many “fun” things have been cut out. Those who found it hard to adapt quit their jobs.

Previously in both companies, there was a shortage of manpower, and one staff could have the responsibilities from several areas. The employees express that the main priority before was just to “get the job done”, whereas now there’s space for them to also focus on the quality of their work.

As a result of the departmental divisions, occupations are more one-hatted. This creates specialization in the organization. In addition, this encourages employees to team up, and feel more like “one”. The staff is more relaxed now, as the workload is manageable. The extra time allows them to develop themselves.

4.3 Communication and relationships

Company A used to accommodate 13 nationalities, although it was a small company. Company B consisted of a heavily Chinese workforce.

There’s general agreement that everyone should be treated with respect. There are around 9 nationalities in the company, although around 90% of the people working in the office is of Chinese background. The leadership of Company AB is Chinese, making Chinese culture the dominating culture.

In Company AB, the main communication language is English. The second used language is Chinese, and it is heavily present in the daily activities of the organization, especially in departments that accommodate mostly Chinese people. Occasionally, this creates some language barriers in daily activities. For example, when the majority of the meeting participants are Chinese, the main spoken language becomes Chinese. Those comfortable with Chinese can communicate to each other quickly. However, as a result, those who don’t speak the language can be neglected, even if it is not intentional.

Another outcome of language barrier is the higher occurrence of misunderstandings. Albeit receiving a quick “I understand” as a response, errors take place and additional time is needed to fix them.

The style of addressing each other is informal, and everyone calls each other by first name.

4.3.1 Teambuilding

Company A believes that teambuilding encourages collaboration and is crucial for employees to build trust, inspire teamwork, and minimize conflict. When working too independently, a worker can easily get caught up with their own tasks. In the realization of a team’s common goal, employees will be more understanding to demands, and be willing to cooperate. The company doesn’t need to be afraid that the job won’t be done in the occurrence of one’s absence.

Interaction inspires more interaction. Warehouse information is highly dynamic, and changes will be communicated more efficiently, the more comfortable the employees are about information sharing. The training of new employees will be more efficient if the training responsibility is shared. When each employee is willing to teach, the new worker can get accustomed to their tasks, and familiarize themselves with their workmates faster.

In addition, fighting between employees stems from misunderstanding, when there's a lack of knowing each other. "It's important to get to know the people you work with, especially when dealing with many strong nationalities." (Representative A, 10 November 2022.) It is beneficial all round to manifest and inspire a culture of collaboration between the employees.

Company B leader admits that as a small company, not much effort was put in team building. The sole goal was to develop and fast and ambitiously build operations. There was no perceived need to. However now, as a bigger company, they'll start caring about culture. In the process of the merging, Representative B has realized Company A's efforts to build the company culture as a strength.

4.4 Leadership style

Representative A prefers to "lead with a carrot than a cane", as they think their character is more soft-spoken. They hone informal relationships with their employees. They facilitate two-way communication and leave communication pathways open. Representative A highlights the importance of building a positive working environment. There should be a balance of work and enjoyability. Relationship- and teambuilding is encouraged to increase performance. They want to set an example and make everyone feel "seen", starting with greetings, and remembering the names of all the employees.

However, it's difficult for them to exert discipline. Company A has a history of running into problems regarding employee presenteeism – being at work for the sake of turning up, but not putting energy to fulfilling work activities dutifully during work hours. Completion of work is monitored but left at the responsibility of the employee. Representative A describes the new leadership as strict, with higher hierarchy and authority, but see that it's beneficial in exerting control.

In Company B, the actions of the leader are highly motivated by the development of the company and the building of operations. This is naturally reflected in the way they lead the organization. This puts an emphasis on performance: attention is focused on finishing one's tasks. The leader takes a more authoritative and serious role – they are not afraid to

pick out mistakes. The goal is to “do things right at once, not twice”. Picking and counting mistakes has been introduced to keep track of employee performance. Criticism is given in a free manner, whereas no feedback means that things are going smoothly enough.

Communication is mostly directed to a managerial level, resulting in a more hierarchical look. The leader themselves doesn’t feel the need to acknowledge anyone upon their entrance, but in turn encourages managers to interact with employees and treat them fairly. For them, it is more crucial for the managerial level to be able to deal with people from other cultures.

The problem-solving mindset of Representative B results in more formal solutions and as altering of the operations. For example, when Representative B finds it hard to remember employee names: instead of attempting to get to know the employees (Representative A), action has been taken to order name cards for everyone. This mirrors the different takes on how the leadership feels they contribute best to the organization.

4.5 Attitudes

4.5.1 Attitudes towards employees

In the words of the Company A representative: “If you care for the employees, there’s a chance for the care to come around. – I want the people who work here to care for the company, that’s why I need to care for them first.”

Having happy employees is crucial to the continuity of work, and results in activity that is more lucrative for the company than that of a dissatisfied employee. By providing a positive and safe environment, the company can achieve their motives. According to Company A, employees are important assets and can be trusted. When given better means to achieve their goals, they will.

Company B believes that the strongest motivation for the employees is monetary incentives. The role of the leader is to supervise the fulfilment of tasks. The expected characteristics of their employee is responsibility and reliability. Employee reliability seems to be based on the amount of mistakes made.

Employees are not expected to be loyal. On the contrary, the thinking reflects:
“Don’t give them the carrot, because they won’t appreciate it anyway.”

This is based on the belief that the employees are most motivated by the pay, but don't demonstrate loyalty to the company. In the circumstance of another opportunity, they will not hesitate to seize it.

During the interview of Representative B, the term "mistakes" surfaced repeatedly. They feel a responsibility to control their employees' performance. The leader fixes mistakes made and does their best to come up with tools for the employees to manage work, so that mistakes don't occur. This behavior towards the employees can be described as "paternalistic". Bottom line is that you know that your workers do hard work, but they should be supervised.

4.5.2 Leadership attitudes

As a result of the merging, the leadership consists of the leaders of two companies. The leadership styles partly clash. There's a lack of understanding of each other's methods and a compromise within them hasn't yet been established.

Before the merging integration, both company representatives worked as the CEO of their respective companies and were acclimated to supervising all company activities in general. This means that one leader had the multiple areas of responsibility. There are currently enough leaders in the company to take responsibility of each main function, but the departmental split did not reach the leadership level.

In the midst of the undecided, responsibilities overlap. The sources of authorized power are still uncertain, and the distribution of power undecided. Some have found their place in the new organization, but there are areas of ambiguity. Conflicts are raised in the scrutiny over the amount of work done by each leader and creates the argument of "who did more". This is problematic and leads to disagreements, as it's something that cannot be measured.

All the shareholders' positions are essential for operating the merged company. Each leader is recognized by the employees, but not all the leaders. One party is said to have started questioning the necessity of the other shareholders. This makes some leaders feel devalued, demotivated, and disrespected.

In addition, the merging is still partial, bringing feelings of anxiety. From the underlying doubt arises the unconscious need to protect one's position, raising feelings of underlying competitiveness.

4.6 Values

4.6.1 Company related values

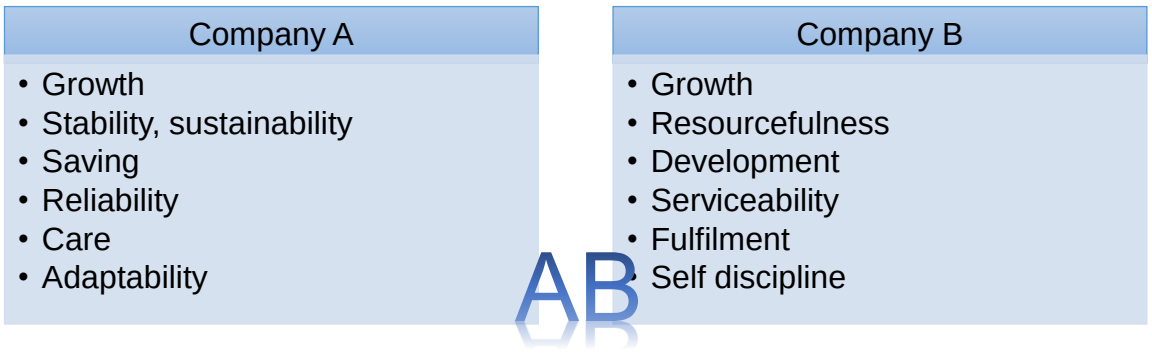

Figure 3. Important values of Company A and B

In Company A, growth describes the company's relationship with the environment and realizes the interdependency of the company and the clients. By helping the clients survive the effects of covid-19 on business and overcome financial crisis, the company will ensure their own survival. Right now, making ends meet and finding stabilization is the main goal, even if profits are minimal. In order to do this, strategic ways to cut costs has to be found. As long as restaurants are doing well, it doesn't disturb their profit margins. It's important to cover business, but money is not everything and the company should take care of their employees.

Representatives also want to build a sense of reliability and trust with their clients. Two big Asian product suppliers are combining, and some clients are suspicious about the merging, in worry that Company AB is seeking a "monopoly". Their trustworthiness should be proven in their operations and having the ability to provide stock dependably and keep prices low.

These values reflect Company A as a smaller company as well. Saving and self-sufficiency was important, as well as adaptability – the ability to cater to the changes in European eating habits regarding popularity in Asian cuisine.

Company B also values growth. The value Growth describes the company's ability to develop, make larger profits, and go forward as a company. Fulfilment is achieved when the growth permits the company to make contributions back to the society – by providing workplaces, or through CSR. Company B puts yearly efforts to contribute to projects such as the protection of pandas with donations.

It is important for Company B to close the circle and become meaningful to the society. By making the company successful, they can be useful for-, and help society.

The company values serviceability and resourcefulness. Development has since the beginning been an important value and manifested itself even stronger when Company B was smaller. Focus was put mostly on development and making the business more profitable in order to advance. In the working style, self-discipline is imperative, and matches the hardworking nature of the Chinese culture.

4.6.2 Important values of leadership

Ideal values according to interview responses

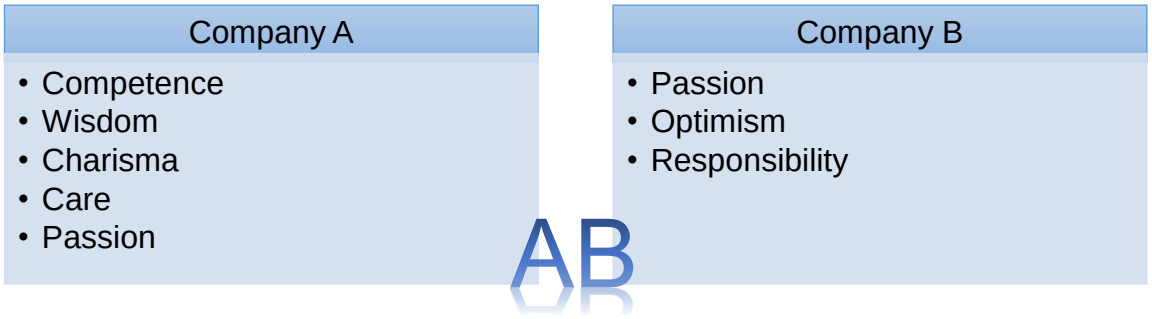

Figure 4. Ideal values of leadership

Company A values a capable leadership, one that has skills and charisma to move the company forward. An ideal leader should have an intelligent strategy and good financial management skills. In addition, a good leader must have the power to make others act. A good leader should be strict and work but soft at heart, and really care for and believe in the company. Representative A thinks that they're too lenient to be a strict leader.

> "Finance is like water for the boat to sail – no water, no movement. If there is leakage, one must know how to fix it." (Representative A, 10 November 2022.)

Representative B thinks that an ideal leader should be passionate, love the job and have an optimistic outlook on life. The optimism allows room for development and pushes the leader to grow. A good leader is responsible and takes good care of the company.
A leader is responsible for their employees as well and affects that through making business successful. Representative B thinks that they embody these qualities.

4.6.3 Employee specific values

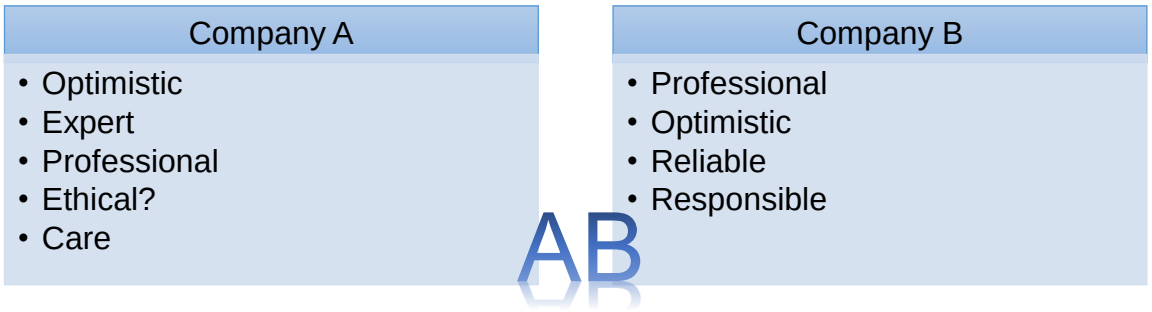

Figure 5. Important values regarding employees

According to Company A, an ideal worker would be optimistic and have a positive attitude towards their work. The characteristic of “expert” is emphasized – it is necessary for employees to understand their job tasks and requirements. Ideal characteristics can be different over job titles: serviceability is a desired quality for those handling delivery, as they are the face the clients see; sales employees should be communicative; and those doing administrative work should be precise.

In addition, a worker should have good morals, take responsibility for their work and not blame each other for mistakes. Employees should care for the job they’re doing. The most important value is to be optimistic, as this translates to better outcomes, and also spreads to others working with them.

Company B emphasizes professionalism and reliability as important values for their employees. In practice, this means that employees should do their job well, and make little to no mistakes. A mindset of development is valued – an ideal employee should be proactive to independently gauge areas of development for themselves.

Current employees are depicted as hard-working, but the reliability of some is questioned. Making simple mistakes is more common than hoped for, and is a cause for stress.

4.7 Merging benefits

Both Representatives see the strategic benefits of merging:

- Cutting competition
- Cutting operation expenses (facility, equipment, technology)
- Financial fluidity
- Enlarge purchase ability
- Increase of share value
- Occupying bigger market share
- Operate on a larger scale

Company A and B were the biggest competitors of each other and fighting for scarce resources. Merging cuts out competition for the same customers. Customer relations are valuable due to the role of relationships when handling Chinese customers. The company needs to pay the rent of one facility and their technologies once. The warehouse facilities are ideal, a large open space with no pillars, and a location close to a highway. They are able to generate bigger cash flow, and the company benefits from economies of scale.

Company B sees this as a learning experience and a steppingstone to grow the business in the future as well. Every experience matters and will help them in the future, in the case they want to explore additional merging endeavours in the future.

4.8 Merging challenges

There is a lot of legal, financial, and other aspects that have to be considered and handled in the merging. It is not only a complex process in its implementation, but also bureaucratically. The merging is a first for both companies, and no outside help was utilized regarding the merging integration. The companies try their best to prepare, but changes and unexpected challenges can emerge at any time.

The company is afraid that their customers fear the merging and misinterpret it as an attempt to form a monopoly. The company faces speculation and are worried of loss of trust. As most customers are Chinese, the customer relationships heavily rely on trust, and therefore there's a reason for the company to feel alarmed. Once trust with the customer is lost, it is difficult to gain back.

The merging process is ongoing internally as well, so day-to-day regimes are being renewed as the organization members get accustomed to the new space and ways of working. A bigger organization grows in complexity and requires measures to make operations more systematic. This is related to tasks, policies and especially rules. New rules are being set in every aspect of the organization. The renewing process is challenging and causes protocols to be unclear for the time being.

Differences in cultural background and ideology are recognized as partial cause for conflict. The old cultures of the companies partly contradict each other. As an example, in the previous Company A culture, every Friday afternoon when the employees were getting off work, the office would play music and turn on the karaoke. This doesn't work for the merged company and assumed would be shocking for Company B representatives.

4.8.1 Suggested focus points by interviewees

Shareholders should respect each other and learn to work with one another. The current leadership is formed of 6-7 members, and there aren't yet set procedures of decision making or collaboration. Dealing with issues with democracy is of interest to both companies. Clarification of power in relation to shares, distribution of power and responsibilities, and decision-making rights are expected to lessen leadership level challenges.

One suggests that a possible solution for dealing with this is through the formation of rules. Once rules are set, they will work as a guide for all problem solving.

Another suggests that board members should start organizing recurring meetings, monthly or biweekly. Fixed meetings will ensure communication and collaboration over regular periods.

A perceived lesson from the merging experience is that it would've been beneficial for the companies to research and get to know each other well before merging. In the future, if the company wants to pursue other merging opportunities, they will spend more time to analyse the merging compatibility and hire a specialist for integration implementation.

5 Discussion

The following chapter will summarize the key differences of the companies as separate entities, discuss validity -related issues, and include suggestions for future development based on the findings. The results will be presented in reverse order to the framework, starting from the basic assumptions to the espoused values, and lastly the artifacts. The most influential cultural aspects lie in the level of basic assumptions of the organization culture, transcending to upper layers, until a visible manifestation is perceivable.

“Values are invisible until they become evident in behavior, but culture manifests itself in visible elements too.” (Hofstede 2001, 10.)

5.1 Analysis of results

The objective of the thesis is to interpret the previous company cultures and analyze how have they manifested in the current company culture. The researcher wants to find the main areas that bear differences and ideate possible activities to help the integration of company cultures. A recurring theme that appears is one related to *trust.*

5.1.1 Areas of differences and conflict

Table 1. Main areas of difference

Area	Company A	Company B
Leadership style	Collaborative People-oriented	Traditional Task-oriented
Control	Low	High
Employee management style	Maternalistic	Paternalistic
Ambition	Cover costs	Development to advance
Communication	Interactive	Non interactive
Experience of multicul-turalism	Yes	Yes, but not in the Com-pany B

5.1.2 Company AB: analysis of basic assumptions

Employee related

Differences are found in levels of trust given to employees, perceptions of leader position in relation to the employees, and expectations of working styles.

- In Company A, employee relations are guided by trust. Company A believes in their ability to build safe relationships while monitoring performance. Their management style is lenient, and risks disappointment. Employees that take advantage of the lax leadership style, and display challenging behavior, such as slacking, are nudged to perform better by asking the employees to act “professionally”. They attempt to trust that the work gets done, so they want employees to believe that of themselves as well. The enjoyment of the work is considered.

- When working, there are two goals that go hand in hand: the task goal, and the social goal. Task goal is the goal to complete the job – and the social goals have to do with how the employees feel when working.

- Company B views their employees as part of a whole, and each one is needed to handle operations. High performance is valued, and the employee reliability is based on the correctness of their job outcomes. They bear a supervisory, controlling role towards the employees, and give regular feedback. Due to their supervisory role, the relationship between leaders is more hierarchical. Company B would like their employees to be proactive in developing their own abilities. The leadership shows high commitment to their job and the company, so it’s natural to expect that employee behavior would reflect that. Contradicting to that, attitudes toward employee loyalty isn’t high – getting paid is the biggest job incentive.

- Company B believes the company they are leading is a flat one, comparatively to their previous experience. Leaders will go downstairs to communicate to the employees, instead of calling the employees upstairs to their office. The leader states that employees can also go upstairs whenever in need of help and are welcome to give suggestions to improve company operations.

Leadership related

There are differences in expectations of a good leader, experiences of leadership, and perception of respect.

- A good leader is one that can influence all stakeholders: the employees, the leaders, shareholders, and clients. A good leader is able to take control, and also inspire.

- A good leader is one that takes responsibility for the company. The advantages of hard work are sought from the company success, in the form of job positions and remuneration.

- The reason for the different leaderships is clear: each leader prefers to lead the company in accordance to the accumulated learning they had gained – therefore the experience they've had while leading their companies as separate entities. In addition, leaders have been accustomed to their role of sole responsibles for leadership tasks, when now there are more opinions to take into account.

- One company seeks the financial gain that is sufficient to keep the boat afloat, while the other one has bigger goals regarding the profitability. Company B feels like the level of Company A leadership's actions and behavior does not reach that. This results in Company B questioning the commitment and the need of Company A. According to the interviews, both are very committed to making the company run successfully.

- Respect seems to mean two different things for the leadership. One regards "respect" as basic human respect, meaning that one's background or religion will not be questioned. Another believes that respect extends to the acknowledgement of one's skills and valuing the person for their ability.

- When questioning the necessity of one's contributions, one may induce feelings of devaluation and doubt. The authority of one is diminished through behaviour of the other. Uncertainty from higher levels of management and the lack of communication results in worry and insecurity is the company. Reduced communication or quality of communication can be an indicator of dysfunctional conflict.

- Lack of trust can create competition over abilities and authority. The leadership should not see each other as competitors, nor as expenses that can be cut.

Other factors

- According to Chinese business culture one's "face" and relationships are maintained and protected. When this is not respected, strong negative feelings emerge.

5.1.3 Company AB: analysis of espoused beliefs and values

Reflection of assumptions in behavior

The assumptions of employees and levels of trust affect the leadership style followingly:

- Representative A believes that information sharing is for the benefit of business. Leaders should not withhold information from the employees. This relates to the encouragement of collaboration between all levels of the organization. Communication pathways are open for employees to express themselves. Open communication is encouraged, and the leadership attempts to show an example by acknowledging and taking contact with their employees.

- Company B believes that it's better not to give too much information away about the company activities, if they don't expect an employee to stay. The leaders build as much structure: rules, procedures, or processes as possible to support the working of the employees. Decisions are made by the leader, and as long as employees follow orders, operations run smoothly.

- Representative B communication between employees is often mediated by managers. Feedback is given in the form of criticism, often as reprimands, but so far it has been allowed. This behavior signifies hierarchy. Employees don't feel comfortable to go to their boss's office to give operational feedback.

- Company A, with a history of a comparably more international workforce, encourage communication and relationship building for this reason: the more you get to know who you work with, the more understanding develops, and the learning will be the key to overcome hiccups in culture and communication. This explains the emphasis on the importance of teambuilding activities.

- Means of performance management has been introduced to employees to add necessary control. Mistakes are counted, and once excessive, it will be interfered with.

Assumptions in leadership unfold followingly:

- Disagreements in power sources, as well as leadership style surface. The leadership has not yet formed a basis and relationship of trust with each other. A sense of deep trust is missing in their collaboration, partly also as a result of the limited time and effort to get to know each other.

- Decisions are made behind walls. Disagreeing also is avoided publicly, resulting in indirect communication. Conflicts may not be discussed, while everyone decides to manage in their own way.

Values

The ideal values of the Company AB are the following: growth, stability, saving, reliability, care, adaptability, resourcefulness, development, serviceability, fulfilment (giving back) and self-discipline. They are still ideals, not a reflection of the current company. The ideal values of Company A and B are in agreement with each other, meaning that it is possible to find compatible values to lead the company with.

To be considered part of espoused values and beliefs, the ideal values need to be conscious, accepted, and then embedded into all aspects of the company. The values will only become part of the culture once they become valid in the overall activities and stable over a period of time.

Leaders should discuss and decide on a few chosen values to guide activity. Both companies have named “growth” as a common value, but choosing whether growth comes from care and reliability, or from development and resourcefulness, can affect methods of proceeding significantly.

Financial stability, growth, and adaptability are important values at this point. The company has yet to decide on their shared values.

5.1.4 Company AB: analysis of artifacts

The current company is double the size of what it was before. Managing a larger company demands increased formalization in the company – increased standardization of practices/activity in the company.

The current artifacts show that the company is still in the process of integration and formalization. It's difficult to depict company culture from the artifacts, as a lot of processes haven't yet settled in. There's a lack of written documentation of desired procedures.

- The company has increased systems to manage activities: clocking in and -out, vacation request slips, surveillance cameras and changes in departmental structure.

- Focus is put on operation, but once more stability is established, the more procedures, processes, rules and structure can be put in place.

- Training is quite informal: each employee is taught independently by their predecessor.

- Separate guidance slips are scattered around the facilities instead of gathered into an employee handbook. There isn't yet a comprehensive guidebook that can be distributed to new employees. There is no proper organization chart to clarify division of departments and show interdependency between them. Taking steps to pursue these would increase clarity, and work as a tool to support the assimilation of activities.

- The many guidance slips and reminders plastered on the office facilities can also be an indication of attitudes towards employees – employees are not believed to remember basic information about the organization activities. It can also signify the newness of the merge, where it is not expected of staff to be familiar with the facilities.

- The logos are mixed: Company B logo is used in the signature of emails, but the facilities use the logo of Company A. On the work jacket of delivery employees, both logos are visible, one on each side of the chest. This is a symbolic indication that despite recurring doubts in merging, the original intention was for the companies to merge as equals.

- Trust between the leaderships will be enforced when the merging process on paper has been complete, and when the legitimacy is of the merging enforced.

5.2 Conclusion

“There are no universal solutions to organizational and management problems”.
(Hofstede 2001, 373.)

The companies, although similar at first look, have their differences – like stated in the beginning of the research process. Edgar Schein’s 3-level model was a fitting tool to depict the underlying processes that shape organization culture and break it down to find the sources of conflict. Organization culture is complex, and even now I feel like I’ve just scratched the surface.

Both companies were established almost a decade before, so there’s bound to be differences in the accumulated shared learnings of the companies, which are part of the basic assumptions -level of Schein’s model. What has been learnt as the best way to solve problems becomes standard, and now the merged company is in the process of reshaping the way they do things. This level is very influenced by the leadership, and naturally differences and disagreements will prolong the settling of operations and therefore, eventually, the company culture.

Clashes and conflict happen due to the difference in leadership style. In truth, both ways can be beneficial to the company. Leadership styles and disagreements flow down to operations. Prolonged, unresolved conflict can lead to increased resistance of change and decreasing levels of commitment. Leadership disagreements cannot disturb the goals if the merging integration is intended to succeed.

“At every stage of organisational change, leaders intervene to oversee and orchestrate implementation.” (Spector, B. 2007, 165.)

Both styles can benefit the company, but as there’s a clear difference between them, it is meaningful for a middle ground to be found. Since the merging, the management style has changed, and employees have needed to adapt. Comparatively the Company B values are those that can contribute to the growth of the company, while Company A values reflect those that attract workers and move a group.

The answer lies not in choosing one culture over another, but in finding a balance in the culture where all the different nationalities and subcultures can coexist.

5.3 Suggestions for further development

- Inclusivity should be introduced. Equality can mean that all the information is available for everybody. Sales meetings should not leave a few participants out, although it's more efficient to communicate in Chinese. There is general awareness of the multiculturality of the office, but there is room for development. Perhaps it's not a question of "I don't care where you're from", but rather one of "I care about where you're from and welcome your culture and perspective".

- Once operations have stabilized, the organization should proceed to properly build the employee handbook; the mission, vision, and values; and an onboarding guide. The most important documents should be translated to multiple languages to make them accessible for everyone.

- Collaboration between departments should be increased – this allows recognition for everyone's skills and can help lessens "us vs. you" -thinking. This applies to the leadership level too. When realizing the personal strengths of each leader and understanding the contribution to the company, working together have more fruitful results. Each leader should be left to lead. Trusting each other can result in the use of expertise from all leaders.

- The company wants "*professional workers that can offer professional services*". Training programs, or onboarding procedures should be developed. Currently employee onboarding and training is left for the responsibility of current employees. There's a gap between what the company wants, and the extent of the training offered. If serviceability is a desired quality in the workers, especially those working in delivery, it should be communicated clearly, even demonstrated.

- For a healthy culture, it is imperative to adopt means of giving feedback in a constructive manner, over excessive focus on mistakes and criticizing. Respect can be in the form of showing appreciation to one another.

5.4 Reliability and validity the of research

The research to be conducted is qualitative, therefore interpretative. The intent of qualitative research, according to Holliday, is more to expand than to control variables (Holliday 2016, 31). Therefore, the data subtracted is already prone to be contaminated by subjectivity. The researchers understanding of concepts and own worldview affects the interpretation of findings.

The researcher represents a mix of the cultures, one of which is shared with the company owners. Their experience of the Chinese and Finnish culture was to allow them to acknowledge qualities from both cultures. It was difficult to avoid ethnocentrism, as their interpretations would be according to their understanding of the culture.

In addition, the researcher has a close relation to one of the companies. Extra care should be invested during the implementation process to attempt to conduct the research objectively, and not to pull up conclusions from already internalised information. The interview questions were predetermined in order to increase similarity. Only open-ended questions were used, for the respondents to freely respond.

There was a slight language barrier in one of the interviews, resulting in shorter, more concise answers. The other interviewee was able to dive deep in their explanations, and this could influence the tone of the thesis.

There are different levels of interaction in interviews. Between these levels lay differences in aspects that affect the depth of information exchanged, such as relational distance, self-disclosure, encountered risk, perceived meanings and also amount and type of information exchanged. (Charles J. & William B. 2014, 25-27.)

The interviewer has a level 3 relationship with the Company A interviewee, which may lead to revelations that are very honest and revealing, whereas the interaction between the interviewer and interviewee from Company B represent a level 1 interaction, which is more superficial and avoids revealing judgments and feelings (2014, 25).

The researcher feels an unequal level of disclosure during the interviews. Part of the interviewee responses contradicted with each other. In addition to the Chinese culture tendency to save face, this difference may cause a drift in the stark honesty of some responses and therefore affect accuracy.

Lastly, it is the researchers first time conducting this kind of research independently, so there could be reason to question the complete reliability of the results as a first timer.

The researcher received consent for the practice of writing the thesis directly from the company owners.

5.5 Evaluation of the whole thesis process

The initial idea was to compare Company A's culture vs. Company B's culture against each other as cultures from different countries (Finland vs China). The framework to be used was Hofstede's 6 Cultural dimensions, describing country-related differences (Hofstede Insights, 2021). It was supposed to be a straightforward topic; a case study, a comparison of two companies with different nationalities, and how their national cultures merged together.

But as I began going through the study material, I realized my initial interpretations of what the organization culture was, was completely different to its manifestation. Upon writing the thesis, I changed my comprehension of what *culture* is, multiple times. Therefore, the process of writing the thesis was time-consuming.

Overall, I found the whole process hard. As a person I like to have a plan, something to depict the big picture from, so that I'd understand and be sure of what I was to write about. Although I'd come up with a topic quite naturally, and delimiting my topic was straightforward, it was difficult to understand the flow of the thesis, and how I'd like it to be laid out.

I read books about research and interviewing and started overthinking about the ethicality and the validity of the research. Many books described limitations that I simply didn't know how to include in my research process. It's a great thing that these are considered, and I have new appreciation for the many that perform research as a profession.

Perhaps the information search and management process were the most difficult. It was demanding to not get overwhelmed from the vastness of information available. With better time management, I'd have been able to present a better thesis. Overall, it was a valuable experience, and practice makes better, so the next time the process will definitely be easier. The research objectives are met.

5.6 Personal learning

In retrospect, I was overconfident by saying that by being part brought up Chinese, I can have good understanding of the Chinese culture. I realized that although some customs are the same, the basic assumptions can differ greatly depending on which area one is from. The culture from the area Company A representative is very different from the where Representative B grew up.

I initially thought that my cultural background would be of use in the interpretation of the Chinese culture, but I was proven wrong. The more I delved into learning about the Chinese culture, the more I understood how little I initially understood of it.

But the thesis process has proved to me that the more you think that you know of something, the less you realize you actually know. Nevertheless, it’s been a valuable journey to learn how to manage a larger project and learn more about the complexity of my own mix of culture.

References

Ansarada 2022. Mergers and Acquisitions (M&A) Hub. URL: https://www.ansarada.com/mergers-acquisitions#:~:text=The%20term%20'mergers%20and%20acquisitions,any%20deal%20of%20this%20type. Accessed: 17 November 2022.

Business research methodology 2022. Observation. URL: https://research-methodology.net/research-methods/qualitative-research/observation/. Accessed: 8 November 2022.

Charles, J. & William, B. 2014. Interviewing: Principles and Practices. 14th ed. McGraw-Hill Education. New York.

Creswell, W. 2014. Research Design: qualitative, quantitative, and mixed method approaches. 4th ed. Sage Publications, Inc. Thousand Oaks.

Data Commons 2022. People's Republic of China. URL: https://datacommons.org/place/country/CHN?utm_medium=explore&mprop=count&popt=Person&hl=en. Accessed: 18 November 2022.

DealRoom 2022. 10 Biggest Challenges During M&A & How to Overcome Them. URL: https://dealroom.net/blog/challenges-during-m-a. Accessed: 31 October 2022.

DealRoom 2022. Biggest Post-merger Integration Challenges and How to Overcome Them. URL: https://dealroom.net/blog/biggest-post-merger-integration-challenges. Accessed: 31 October 2022.

Drake, M. & Salmi, M. 2018. Thesis and Methods. Virtual learning material. Haaga-Helia Moodle.

E.A. 11 November 2022. Company AB. Manager. Interview. Helsinki.

Harvard Business Review (HBR) 2022. Don't Make This Common M&A Mistake. URL: https://hbr.org/2020/03/dont-make-this-common-ma-mistake. Accessed: 17 November 2022.

Hofstede, G. 2001. Culture's Consequences: Comparing values, behaviours, institutions, and organizations across nations. 2nd ed. Sage Publications, Inc. Thousand Oaks.

Hofstede Insights 2022. Country Comparison. URL: https://www.hofstede-insights.com/product/compare-countries/. Accessed: 14 October 2022.

Holliday A. 2016. Doing and Writing Qualitative Research. 3rd ed. Sage Publications Ltd. London.

Investopedia 2022. Merger: Definition, How It Works with Types and Examples. URL: https://www.investopedia.com/terms/m/merger.asp. Accessed: 31 October 2022.

Keyton, J. 2011. Communication and organizational culture: a key to understanding work experiences. 2nd ed. Sage Publications, Inc. Thousand Oaks.

Leanix 2022. The Definitive Guide to Post-Merger Integration. URL: https://www.leanix.net/en/wiki/ea/post-merger-integration#what-is-pmi. Accessed: 17 November 2022.

Lewis, D. 2006. When Cultures Collide: Leading across cultures. 3rd ed. Nicholas Brealey Publishing. Boston.

Management Courses – Mike Clayton 29 July 2021. Edgar Schein's 3 Levels of Organizational Culture. Online video. URL: https://www.youtube.com/watch?v=N37Foo0DOgE. Accessed: 31 October 2022.

McKinsey 2019. Organizational culture in mergers: Addressing the unseen forces. URL: https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/organizational-culture-in-mergers-addressing-the-unseen-forces. Accessed: 17 November 2022.

O.C. 28 October 2022. Interview. Helsinki.

Rahim, M. A. 2011. Managing Conflict in Organizations. 4th ed. Routledge, Taylor & Francis Group. New York. Ebook. Accessed: 9 November 2022.

Readinggraphics 2022. Book summary – Organizational Culture and Leadership (Edgar Schein). URL: https://readingraphics.com/book-summary-organizational-culture-and-leadership-edgar-schein/ . Accessed: 2 November 2022.

Schein, H. 2017. Organizational Culture and Leadership. 5th edition. John Wiley and Sons, Inc. Hoboken. Ebook. Accessed: 2 November 2022.

Scribbr 2022. What Is a Case Study? | Definition, Examples & Methods. URL: https://www.scribbr.com/methodology/case-study/. Accessed: 8 November 2022.

Shearouse, H. 2011. Conflict 101. Ebook. Accessed: 9 November 2022.

Solomon M. & Schell S. 2009. Managing Across Cultures: The Seven Keys to Doing Business with a Global Mindset. The McGraw Hill Companies. United States.

Spector, B. 2007. Implementing organizational change: theory and practice. Pearson Education Inc. New Jersey.

Thompson, J. & Martin, F. 2010. Strategic Management: Awareness and Change. 6th ed. Cengage Learning EMEA. China.

Wikipedia, 2022. Outline of Culture. URL: https://en.wikipedia.org/wiki/Outline_of_culture. Accessed: 1 November 2022.

Appendices

Appendix 1. Interview questions

Main questions	Helping questions
Describe of the office space	What was the What was your previous office facilities like? How is the current office space like compared to your previous one? Explain the logo. What does it symbolize? Where were the logos situated?
Describe the working environment *Activity, energy*	If the previous description was about the physical aspects of the office facilities, how would you describe the office energy-wise? How do you work? How do the employees work? What's the working atmosphere?
Describe your relationships	What do you think of your employees? What do you think of your department? What do you think of other workers outside your department? Do you find that it is easy to work with so many people from different nationalities?
What does a normal workday look like for you?	
Describe the leadership in your company	What do you think of your employees? What kind of a leader do you think you portray?
What do you think are the main values driving the company right now? How does it show in daily activities?	Through values, describe company activity. What are the values that show in your day-to-day office life?
Are they different from the values that drove your company in the past?	How about the past values that were present before the merge?
Imagine an ideal leader. What values do they have, and do they reflect yours?	
Imagine an ideal worker. What values do they have, and do they reflect yours?	
What benefits do you think the merging has brought, or can bring in the future?	What were the merging motivations? What kind of success do you expect the merging to bring?
Have you seen any challenges in the merging? If so, can you describe them?	Is there a specific problem area that you can identify?
Are there any areas that you think the company should focus on for a successful merging?	

Appendix 2. Observation notes

Observation	Thoughts
• Workers from B expressed relief from the merging • Manager experience of Chinese hierarchy: it's difficult to understand, unaware of Chinese business culture	Experiences of company merging outcomes seems to slightly differ depending on position in the organization.
• The workload is smaller: whereas it used to be about getting the job done (survival), there's now a little breathing room for inquiring what the customers actually want (quality)	Job descriptions have now become more 'single-hatted'.
• No organization chart available	Seems like the org structure hasn't set in yet. The bigger focus is on running the day-to-day operations for now.
• Wary approach of new members • Either careful to say hi or introduce themselves • "Are you a new worker here?" • Not everybody bothers to say introduce themselves	Possible implication of high employee turnover.
• Language barrier • Which hinders communication • Main communication language is unclear • A large part of the organization is Chinese • Chinese is way easier for the people who speak it • International employees needed in order to deal with the small percentage of customers from other nationalities.	However, employee relations seem to be good between the Chinese. Maybe the relations are also good between other nationalities, as a "bubble". Relationship-building seem to come naturally for the Chinese: *"It's easier to work when you're in good terms with everyone."* There's a gap in communication within nationalities.
• Difficult to understand and adapt to Chinese business culture	Company accommodates many cultures, but still are learning to work together. There are no ground rules or codes of conduct. On the surface, overlaying culture seems to be Chinese – partly also because of the language used.
• Stricter environment • Those who used to work in China are used to an authoritative leadership style	For the Chinese, it's not necessarily a bad thing to work in this authoritative environment The benefit of it is still to be able to work with like-minded people Chinese people, especially holding a strong culture within themselves, can have a hard time integrating into the Finnish culture. Coherent with Schein's statement that part reason why culture is so strong and drives our behaviour is due to humans feeling comfortable with like kind. Chinese culture of the organization provides comfort of not feeling so out of place/alienated – a feeling of "home".
• Leadership seems to have a basic assumption that people are trying to "cheat them". • One leadership has little engagement to employees, does not greet etc.	Indicates distrust. There's an instinctively strong blaming culture. Leadership shows an example. Relationship and way of speech of one leader is that of a reprimanding boss.