Unpredictable Reconfigurations: The Dilemma of the Post-Merger Information Systems Integration

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ABSTRACT

A merger is the result of a strategic decision aimed at creating synergy. Notwithstanding mergers’ expected benefits, their outcomes are often beset by problems such as employees’ high levels of stress, dissatisfaction and resistance. Research suggests that these problems are often related to the issue of boundary management during the post-merger integration phase (PMI), which refers to the degree of integration required among the merging parties and the degree of autonomy, that each must retain for the merger to achieve synergy. The literature identifies information systems (IS) as being a key enabler of successful mergers and suggests that during PMI, new ISs that span the boundaries of the previously independent firms need to be implemented to facilitate a specific level of integration. Yet, there is a paucity of studies on the issue of boundary management at the information technology (IT) level during PMI. Adopting a sociomaterial perspective and based on a qualitative study within a healthcare organization, the authors find that post-merger practices were the result of dialectic processes of resistance to, and negotiation of, the IS reconfiguration after its implementation.

Keywords: Agency, Assemblages, Information Systems (IS), Information Technology (IT), Materiality, Performativity, Post-Merger Integration (PMI), Practices, Reconfigurations

INTRODUCTION

Mergers and acquisitions (M&A) are a major strategic tool for achieving business growth (Schweiger & Goulet, 2000). At the end of 2011, global mergers investment represented approximately $1,000 billion (Gestrin, 2011). Given the scale of this activity, it is crucial for organizations to actually achieve the expected synergies – i.e., the actual net benefits in terms of reduced cost per unit and increased income – sought from combining the organizations (Larsson & Finkelstein, 1999).

PMI represents the process of strategic and structural combination of merging parties (Shanley & Correa, 1992). This process necessitates the post-merger reconfiguration the common use and sometimes the elimination of
certain tangible and intangible resources of one or more of the merging entities (Karim & Mitchell 2000). The literature stresses the importance of the choice of integration approach as being one of the most important strategic decisions to make in mergers and represents a critical determinant of the post-merger outcomes (Pablo, 1994; Zollo & Singh, 2004). Different PMI approaches exist, which differ with respect to the extent of integration and autonomy among the merging parties (Ellis, 2004). Although a given type of PMI approach may be well suited to achieve synergy, it may also entail problems within the merging organizations, such as high levels of employee stress, job dissatisfaction, and resistance to the merger among employees (Larsson & Finkelstein, 1999).

Research on PMI reveals that when organizations try to manage differences among the merging parties, they face the dilemma of integration versus autonomy (Haspeslagh & Jemison, 1991). A number of researchers have addressed this dilemma by proposing four ideal-types of integration approaches based on strategic and organizational dimensions (Ellis, 2004). Preservation is deemed appropriate when there is a strategic need to maintain the sources of expected value-creation intact by preserving the boundary between the organizations. Absorption occurs when one of the firms imposes its work practices, norms and culture on the other parties. Symbiosis represents the approach in which the merging parties are gradually blended together by becoming increasingly interdependent. In transformation organizations are integrated by developing totally new, yet common, practices, culture and other organizational attributes (Marks & Mirvis, 2001).

The literature suggests that information technology (IT) is a key enabler of successful mergers (Henningsson & Yetton, 2011). A recent study suggests that 50-60% of the expected value from a merger is dependent on post-merger IT function integration especially the IT applications and data (Sarrazin & West, 2011). The integration of IT applications and data often involves the implementation of new ISs to span the boundaries of the previously independent organizations (Henningsson & Yetton, 2011). The main purpose of these systems is to facilitate the implementation of new organizational practices. Modern large organizations usually choose to implement off-the-shelf software applications such as Enterprise Systems (ES) (Wagner, Newell, & Piccoli, 2010). However, misalignments between industry-standard practices or “best practices” embedded in these ISs and the local idiosyncratic practices have caused headaches to management and IT implementation project teams (Sia & Soh, 2007).

Organizations often realize that practice norms embedded in their ES are mismatched only after the system is implemented and users engage in resistance to adopt the system, as they can no longer perform their old practices. This constrains some organizations to engage into a lengthy processes of negotiation and may result in substantial customizations of the system (Wagner, Moll, & Newell, 2011). The practitioner literature on PMI suggests that when significant post-merger IS-assisted changes in practices are intended, it is more difficult for users to adopt the new ISs, which makes the integration task most challenging. For example, when Nokia merged with Siemens in 2007, the upper management realized that reaching post-merger synergies relies on the implementation of a common set of IT applications (Accenture, 2011). The new ISs needed to sustain a new set of practices based on one common backbone and one value chain system. At the outset of the merger the two organizations were using non-standard systems. Facing significant changes in practices, organizational members built up resistance at the beginning of the PMI phase. The management was able to successfully implement the new ISs only after employees were encouraged to take initiatives during the PMI process. While Nokia-Siemens merger was successful, some firms, fearing great cost and complexity, never integrate their ISs, such that the actual synergy gain is minimal. Others focus on the potential synergy gains and, without much planning, implement an absorption approach by choosing one information system.
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