Discussion Paper Series

RIEB

Kobe University

DP2017-15

Mind Your Language! : Role of Target Firm Language in Post-Merger Integration*

Ashish MALIK
Ralf BEBENROTH

May 10, 2017

* The Discussion Papers are a series of research papers in their draft form, circulated to encourage discussion and comment. Citation and use of such a paper should take account of its provisional character. In some cases, a written consent of the author may be required.

Research Institute for Economics and Business Administration
Kobe University
2-1 Rokkodai, Nada, Kobe 657-8501 JAPAN

Mind Your Language! : Role of Target Firm Language in Post-Merger Integration

Ashish Malik
Senior Lecturer at University of Newcastle Australia
UON Central Coast, Ourimbah, NSW, 2258
ashish.malik@newcastle.edu.au
Australia

Ralf Bebenroth
Professor at Kobe University
Research Institute for Economics and Business Administration
657-8501 Kobe-shi, Nada-ku, Rokko-dai 2-1
mailbox@bebenroth.eu
Japan

Abstract

This paper reviews the role of language in international business in general and specifically highlights the role in post-merger integration process. Based on our review and building on earlier works, this paper develops a conceptual model regarding the use of language in different merger and acquisitions integration scenarios and identifies the key resource mix that may be suited for an effective deployment of language strategies. We argue that the use of a language at the target depends on the strategic interdependence as well as the organizational autonomy at the target firm. The paper states testable propositions for future research in a post-merger integration context.

Keywords: *Language, Integration Structures, Cross-border, Target Autonomy, Post-Merger Integration, M&A Performance*

Introduction

Mergers and acquisitions (M&A) have been noted as one of the key strategic choices that is available for firms to grow and expand their portfolio of products and services or to enter new markets (Bauer & Matzler, 2014; UNCTAD, 2012). Haspeslagh and Jemison's (1991) seminal work highlights four commonly noted structures of targets that result following an M&A activity: absorption, preservation, symbiotic and a subsidiary of a holding company. Depending on the preferred structure at the post-merger integration, bidder firms must decide the extent to which they need to reconfigure and integrate the new capabilities and competencies into their existing value chains to fully realise the potential benefits from the M&A choice. Yet, there is ample evidence in the literature on post-merger integration that suggests strategic choices often do not always achieve the desired outcomes as envisaged by the adopters of these strategic choices (Cartwright & Schoenberg, 2006; Haleblian et al., 2009; Tuch & O'Sullivan, 2007). In a number of cases, acquisitions result in a failure rather than in the formation of new and successful entities (Agarwal et al., 2001; Cartwright & Schoenberg, 2006; Datta et al., 2001; Jensen & Ruback, 1983). The literature identifies several reasons for failure in a post-merger integration (PMI) context. Some of the commonly noted reasons include: lack of culture fit between the bidder and the target firm (e.g. Graebner et al. 2017), unrealistic expectations on part of the bidder, overconfidence of the acquiring firm in managing the integration process (Roll, 1986), distrust between the bidder and the target, and poor post-merger integration capability of the bidder.

Inability to translate M&A into a successful and well integrated firm has often been attributed to failure of the acquiring firm to successfully perform the integration process (Haspeslagh & Jemison, 1991; Larsson & Lubatkin, 2001). Often firms fail to focus more on the social, cultural and people integration issues and invest their time and energies more in the technical, strategic and operational aspects of the PMI activity (see e.g. Monin et al., 2013). Building on the literature on M&A failure as a result of poor integration efforts, we find limited research on the role of language in PMI. We argue that for M&As to be successful, the acquiring firm's capability to successfully integrate the target firm into the new entity is extremely critical (Hapeslagh & Jemison, 1991; Larsson & Lubatkin, 2001) and note the active role language can play in this change management process (Harzing et al. 2011). The following section reviews the literature on PMI with a view to connect it with the use of language at target firms.

Given the poor performance record of M&A integration, it is not surprising to see why there is a renewed interest in studying PMI failure issues. In the last two decades, we have seen an increased incidence and diversity in M&A activity. As a result, scholars are undertaking numerous specialized reviews of PMI in a cross-border context focusing on a range of areas such as culture, leadership, M&A performance and so on (Ghauri & Buckley, 2003; Gomes et al., 2013; Junni & Sarla, 2014; Schoenber, 2000; Stahl & Voigt, 2008; Steigenberber, 2016; Tuch & O'Sullivan, 2007). In this stream of specialized PMI reviews, we note that researchers have offered numerous classifications and typologies regarding the nature of integration (e.g. Ellis & Lamont, 2004; Hapeslagh & Jemison, 1991; Wei & Clegg, 2014), with some reviews even offering a prescriptive approach of critical success factors and best-practices for successful PMI (Datta et al., 2001; Gomes, E., Angwin, Weber, & Tarba, 2013; Larsson & Finklestien, 1999). More recently, Graebner, Heimeriks, Huy, and Vaara (2017) in their holistic review, present a processual understanding of PMI integration and classified the literature on PMI into three broad areas: strategic integration, sociocultural integration and experience and learning.

While our brief review points to numerous specialist accounts of research on PMI, it begs the question, why should we undertake another review of PMI? The answer to this question lies in a gap of the current explanations in PMI literature–regarding the role of language. Language issues have been largely unexplored, and in cases where they do appear they tend to be subsumed under the guise of culture and national differences or as a sub-set of communication studies, rather than receiving attention in its own right in not just cross-border M&A research but also in PMI studies. The importance of language as a key variable has recently been highlighted in a number of forums, referring to language as 'the forgotten factor' (Marschan, Welch & Welch, 1997) and that there is a need for 'speaking in tongues' of different languages for effective outcomes (Welch, Welch & Piekkari, 2005). While there is an emerging body of research that focuses on language issues in international business and management field, much of this earlier work focused on *communication issues* dealing with inter- and intra-unit communication in a cross-border context (Griffith, 2002). This set of studies illuminated the need for a more nuanced understanding of language issues and led to sharpening the focus of different languages in cross-border research as well as the role language translation plays in such settings (Janssens, Lambert & Steyaert, 2004). Subsequent studies in this area highlight the impact of multiple languages on communicative processes in an international business context (Welch, Welch & Piekkari, 2005). Overall, the wider research on language in cross-border context has tended to focus on three broad areas: language fluency and competency issues *per se*, language of communication within and between units in an international business sense and the role and nature of translation studies in an international cross-border business context (Piekkari, & Tietze, 2011). What is apparent in these studies is the limited attention paid on the strategic side of the target integration. As such, this review focuses on the role of language in M&As in general and on the strategic side of integration in particular. We focus on what can be learned from the existing set of studies on language issues in MNCs and international business literature and how learnings from such studies may be relevant in advancing research agendas in the realm of PMI research.

In view of the above, we structure the rest of the paper as follows. We begin by providing a brief review of studies on PMI. This is an important step as it sets the scene for the strategic conditions and dominant approaches that occur as a result of an M&A event and allows us to focus more clearly on language issues as a result of different dimensions of integration that are put in place. Building on Haspeslagh and Jemison's (1991) classification of integration types, we argue that different integration dimensions are variously affected by language issues. Therefore we review what the extant literature on language refers to an effective PMI. To this end, we offer a review of research on language generally, and more specifically, in relation to M&A and PMI. Based on our review of PMI and language studies, we develop a conceptual model for analyzing common language strategies that are available to a range of integration dimensions that result from an M&A. We overlay Haspeslagh and Jemison's (1991) seminal work on the strategic dimensions of integration with our review of language in evaluating appropriate language strategies for a PMI context. In their framework, Haspeslagh and Jemison (1991) analyse M&A activity across two dimensions: the degree of strategic interdependence between the acquirer and the acquired firm and the degree of organizational autonomy at the target firm to yield four distinctive categories. There is evidence that M&A activity increases in firms from countries where English is not their mother tounge (Harzing et al. 2011). Therefore, we develop a conceptual model that proposes language strategies where managers of the bidder and the target firm are non-native English language speakers and may elect to use English as the *lingua franca* or suggest the use of the bidder or the local language at the target firm. We extend Haspeslagh and Jemison's (1991) important work in this area by proposing the most suited language strategy (ies) depending on the degree of strategic interdependence and the need for organisational autonomy at the target firm.

Overview of PMI Research

In this section, we provide a general review of PMI, so as to inform the role language plays in PMI integration. Steigenberger (2016) provides an inductively developed conceptual framework for understanding the terrain of research undertaken in PMI. Steigenberger (2016) notes that successful integration in an M&A context is essentially a change management process, which is dependent on the context, structural and communication interventions that are undertaken by key stakeholders who are central to the integration process. Graebner (2004), in line with March's (1991) work on organisational learning, highlights that for firms to effectively manage change they must focus on the twin modes of learning–exploration and exploitation of new ideas to successfully implement change. Graebner (2004) notes that leaders must continuously balance exploratory and exploitative learning for realizing the best outcomes in a PMI context. While managing such a duality is vital, March (1991) noted that there are necessarily going to be trade-offs in balancing one mode of learning at the cost of the other (Puranam, Singh and Zollo, 2006). Hence investing in relationship and trust building activities with the key leadership positions of the acquired firms is a critical aspect for successful PMI. Although firms can leverage excellent leadership skills of the acquired firm during the PMI process, which may then help in realizing the dual mode of learning, this may be harder to achieve in reality due to the trade-offs and mental models and routines that are deeply embedded in firms.

To overcome some of the inertia issues in change management processes, Steigenberger (2016) proposes that the stakeholders have to interact with both the structural as well as contextual factors involved in the integration process to implement a successful PMI. Such a processual approach involves constant negotiation and sensemaking by all the concerned stakeholders. His review also points to several future research areas that have hitherto been underexplored. For example, the review highlights the need to further investigate interactions between structural interventions and leadership; project management and integration teams' composition; and how the contextual factors interact with the sensemaking processes among these stakeholders. Future research efforts could focus on the temporal dimension of PMI. This processual change management approach is akin to Nilakant and Ramnarayan's (2006) model of key change tasks for successfully implementing change: appreciating the need for change; mobilizing support for change; developing competencies and capabilities for change; and executing change. Essential in their research is the importance of communication at each of the four tasks of change. The intent, genuineness and clarity of communication supported by appropriate levels of leadership is vital for the success of any change management initiative. In what is essentially a change management activity, PMI must therefore not undermine the role communication and language strategies play in its success.

Graebner et al.'s (2017) review on PMI classified research into three categories. First category focuses on strategic integration issues. These include the rationale of the M&A; presence of top-down communications; extent of autonomy provided to the target; allocation of resources and reconfiguration and renewal in units; and ensuring how knowledge is transferred between the bidder and the target. Second category focuses on socio-cultural integration differences between the bidder and the target firm. Target unit managers' and individuals' experiences of change in their social identity in a new

PMI context. This often results in generating negative emotions such as a lack of perceived justice, trust breaches, status changes and other emotions such as anxiety and stress associated (Ismail and Bebenroth, 2016). Finally, the third stream of research focuses on the impact of prior experience in a PMI context on performance outcomes of the M&A in question. It also focuses on how and why firms learn and develop (or not) as a result of such PMI processes. Again, for each group of studies, the stakeholders must establish the legitimacy of their actions through appropriate communication and language strategies for the PMI to succeed. Lack of attention to appropriate communication and language strategies has been noted to result in a number of adverse consequences for individual managers, teams and groups of target companies. These issues are discussed in brief in the following section.

PMI Impacts on Managers

Typically managers facing a PMI context experience with a sense of anxiety, stress and job insecurity (Choi et al., 2012; Hubbard & Purcell, 2001; Joshi & Goyal, 2013). There is evidence that managers do not cope well emotionally (Kiefer, 2002) as well as experience adverse well-being and resilience outcomes (Makri & Antoniou, 2012). Although firms would rather expect high-commitment and high-involvement from managers in these contexts (Thomson & McNamara, 2001), as PMI has been noted as a change management process, it engenders a natural resistance from managers, which is often manifested in the form of abovementioned emotional and psychosocial responses that prevents them from demonstrating a positive attitude towards the PMI process (Greenwood et al., 1994). Often times also, the expectations of the stakeholders in the change management process are not communicated well to the target firm's managers, which often results in failing in the first task of managing change (Nilakant & Ramnarayan, 2006) and leads to passive and active resistance behaviors by managers as well as lead to the formation of informal in- and out-groups with different social identities (Bijlsma-Frankema, 2004; Brannen & Peterson, 2009; Lin & Wei, 2006; Kroon et al., 2009). Changes to an organisation's identity is also noted to have an adverse impact on managers' perceptions about the PMI process (Dick et al., 2006; Olie, 1994; Shanley & Correa, 1992). In such cases, it is important that key leaders, either those directly involved as part of PMI team or HR managers, must ensure that the language and communication that is implemented leads to a perception of fairness (Choi et al., 2012; Hubbard & Purcell, 2001;Marie & Collerette, 2011). Not attending to some of the emotional and psychological well-being states of managers, may indeed result in a psychological breach that may eventuate in a PMI context (Maguire & Phillips, 2008;

Makri & Antoniou, 2012; Shleifer & Summers, 1988; Yidliz, 2016). Attending to this task of change might address some of the issues of perceived injustice and fairness issues that are typically associated with these processes (Bebenroth and Thiele, 2016; Hubbard & Purcell, 2001; Searle & Ball, 2008) and may pave the way for appreciating the need for change.

Performing the second task of change–of mobilising support–becomes difficult if the need for appreciating change has not been fully attended to. Clearly, from the bidders perspective, they must not only identify the key employees who have the key skills, knowledge and the abilities that might be critical to the success of the PMI, but they must also be able to retain such talent, and where necessary provide them with the necessary support and incentives to actively contribute (Cannella & Hambrick, 1993; Ranft & Lord, 2002). Doing this effectively will ensure success in the second task of change by mobilising the necessary support for implementing change. Once an organisation is able to convince the need for change and mobilize appropriate resources for implementing change, they must also provide support, tools and techniques to their managers and the key stakeholders, including its leaders to implement the third and the fourth tasks of change: tools and capabilities for change and executing change in a PMI context. While there are several change levers and tools that have been identified in the voluminous literature on change management, there is a lack of research on how language influences a successful implementation of PMI. We argue that language is a key tool and that managers should develop capability in language skills and its application at a target. The following section reviews the literature on the importance of language in international business and management generally, and in relation to M&A and PMI in particular.

Overview of Language Studies

With the emergence of research on language, research in this ar can be classified into three broad streams: the linguistic distance between the bidder/parent and target/subsidiary operations; use of common corporate language as a communication strategy; and the role of language competencies and translation services in overcoming language barriers (see for example, Piekkari & Tietze, 2011). Furthermore, in the context of integration in M&As which is essentially a change management processes, high levels of communication intensity is required between the target/subsidiary and the bidder/parent for effective PMI (Hapeslagh & Jemison, 1991). Additionally, as organisations are socio-technical systems, the transmission of communication and language is often through human resources and managerial processes of inter-functional coordination (Reiche, Harzing & Pudelko, 2015), employing a range of tools such as technology-based systems is common in an organisational setting. In view of the above, we review the contributions of language and communication research as appropriate tools and techniques for effectively embedding and implementing change in an international management setting more generally, and PMI context, in particular.

Linguistic distance studies

Doing business across borders often presents complex nature of challenges for multinationals (MNCs). A common challenge that has been identified in the international management of business units is the impact of country-specific cultural differences between the parent and its subsidiary operation (Hofstede 1980, 2001). In much of the research that followed, culture distance and difference has continued to dominate the research in this area (Harzing, 2003). Only in the last two decades or so, we have seen the emergence of a separated discussion of the role of language such as linguistic distance in contrast to it being studied under the umbrella of communication strategies or as a sub-dimension of culture (Griffith, 2002; Harzing, Koster & Magner, 2011; Janssens, Lambert, & Steyaert, 2004; Marschan-Piekkari, Welch, & Welch, 1999; Piekkari & Tietze , 2011; Piekkari, & Zander, 2005).

In line with research that focuses on linguistic similarity or differences, Navío-Marco et al. (2016) analysed the impact of language differences in PMI success in the telecommunication industry. While they found an overall negative impact or value destruction for the industry overall in their sample, in the longer term analysis, however, they found that there was evidence of value creation and a positive outcome in their data for cases where the bidder and the target used the same language. In a similar vein, Kedia and Reddy (2016) analysed the effect of language on post-acquisition performance based on a sample of US firms. The authors argue that the success of PMI performance is explained by the linguistic distance between the bidder and the target firm's country. Using data from 1120 US acquisitions in 33 countries over a six year period, the authors found linguistic distance to be a significant explanatory factor in explaining the performance in a post-acquisition context. More specifically, the authors investigated the impact of two main integrating processes: human integration and task integration, in examining the relationship between linguistic distance and performance in an M&A context. The authors found a significant and negative effect of linguistic distance on M&A performance. They further note the moderating effect of the acquirer's experience in a cross-border M&A context to be significant in explaining the relationship between linguistic distance and M&A performance.

In a slightly different vein, Schomaker and Zaheer (2014) investigate the role of language relatedness in knowledge transfer to geographically dispersed units in a US MNC. Contrary to linguistic distance, the authors focus on linguistic relatedness to analyse the overlaps in the structural and functional aspects of language. The authors found support for a positive relationship between linguistic relatedness and its impact on ease of communication and accurate understanding, but a negative impact on knowledge understanding. The authors also find support for a positive relationship between linguistic relatedness and normative integration.

Vidal-Suárez and López-Duarte (2013) analysed the role language distance plays in determining strategic choices of cross-border mergers and acquisitions. Employing the theoretical lens of transaction cost economics the authors evaluate the ex-ante and ex-post costs in a PMI context. Analysing quantitative data of Spanish firms, the authors conclude that firms tend to avoid M&A that involves high linguistic distance between the bidder and target firm as it will most likely increase transaction costs for the bidder firm and can become a decision point for the bidder firms to look at other Greenfield investments. Their study confirms the view that ex-ante and ex-post costs are higher in acquisitions where there is a significant language distance, which encourages foreign direct investments to take other routes such as Greenfield investments.

Common Language Strategy Studies

Marschan-Piekkari, Welch, & Welch, (1999) explore the impact of language on internal communications in a large multinational that has operations and business units globally located. The importance of interunit coordination and communication has been identified as a critical attribute for building internal cohesion among managers of geographically dispersed subsidiaries of MNCs (Ghoshal, Korine & Szulanski, 1994). Employing a qualitative case study design of 25 units/subsidiaries of a Finnish multinational–Kone Elevators, Marschan-Piekkari et al. (1999) explored how language imposes a structure on communication flows and personal networks. The authors sampled 110 employees from subsidiaries or units in non-English speaking countries and developed eight major themes from their analysis of semi-structured interviews. They found that language served both as a barrier as well as a facilitator for internal inter-unit communication. Lack of knowledge of the headquarter language by the subsidiaries created adverse impacts. Further, they argue that in cases where the employees at the subsidiary operation had limited knowledge of the head quarter's dominant language, their ability to develop social and work relationships was adversely affected. In such cases the employees have to rely on translators. Further, the findings suggest that language served as an informal source of expert power.

Welch, Welch and Piekkari (2005) investigate the importance of language in international business activities. Building on the established notion that multinational (MNC) firms often seek control and coordination of their businesses through a standardization approach, the authors argue that MNCs can also achieve this by adopting a common corporate language (CCL). The authors highlight several advantages of a CCL such as better inter-unit coordination and group cohesiveness. However, the lack of language proficiency at the target or subsidiary operation may indeed create insecurity, exclusion and social isolation. Moreover, in cases where the CCL is English but not the native language of either the bidder or the target firm, it will engender feelings of exclusion among managers at the subsidiary or target firm. Additionally, those managers who are proficient and fluent in the use of English as the CCL, often stand to benefit disproportionately from the expert power this dynamic creates. Others have also identified the role of common corporate language in international mergers and acquisition studies as it adversely affects managers' social identity and affiliation with the new bidder firm (Kroon et al., 2015; Piekkari et al., 2005; Vaara, 2003). The use of a language in a hostile takeover may also differ. It could be the language of the bidder enforced rather than to opt for a common language both firms feel comfortable with. In other words, forced acquisitions lead target managers to receive less resources and knowledge and often leave them with a negative identification (Reus et al., 2015). It is also important to understand the role HR managers play in implementing such strategies (Antila, 2006; Tanure & Gonzales-Durante, 2007).

Harzing, Koster & Magner (2011), using a qualitative research strategy, interviewed managers in eight German and Japanese parent company-subsidiary dyads to explore how the use of common corporate language becomes a barrier and what are the possible solutions that cross-border firms may implement to overcome such barriers. Building on their earlier work (Feely and Harzing, 2003), the authors come up with a total of 12 solutions, seven of which were new solutions for overcoming the differences in language barriers. Among several strategies, they proposed solutions in three main categories: solutions which rely on day-to-day informal approaches; solutions that are structural and formal; and identify for example, bridge individuals in dealing with language problems. Their study is significant as it highlights the importance of informal and bottom-up approaches as against formal and top-down approaches. Additionally, they note that by flexibly changing the language from common to a local language, or what they state as 'code-switching', individuals can effectively put in place a strategy that is easy to implement. This can be done without the need for formal structural solutions such as a common corporate language, or to rely too heavily on expensive translators and language training for managers. Another distinctive finding from their study is the use of bridge individuals. These are individuals who are not organizationally assigned, but are still very effective in communicating and translating context-rich information to groups of people using their multi-lingual skills.

Kroon et al. (2015) in a cross- border M&A context, examine how employees' English language fluency in the use of a CCL, which in their research case was English, has an impact on the reactions of individuals towards their changed social identities. The use of English as the lingua franca in a merger between a French and a Dutch Airline lead to increases in perceived anxiety caused by a fear of job losses, integration tensions and feelings of uncertainty for employees with low to medium levels of fluency in English, relative to employees with high English language fluency. Similarly, relative to employees with high English language fluency, employees with low to medium levels of fluency in English, these employees experienced changes to their existing status wherein they experienced domination, or felt a sense of exclusion and inequality. Finally, these groups of employees also experienced ambivalence, resistance and a lack of support, leading to a somewhat decreased sense of social identity.

Tenzer and Pudelko (2017) recently investigated the impact of language differences on power dynamics in multinational teams. Proficiency in using a language was examined as a proxy for expert power and/or deploying the language as the CCL. The authors note several advantages and disadvantages of such language policies and its impact on team member dynamics. Overall the study highlights the moderating role of language policies, language structures–formal and informal and differences in language proficiency in studying its impact on positional and expert power differentials in MNCs. This study highlights the complexities in undertaking language research in highly diverse workforce environments, especially in studying the dyad of an acquirer and the acquired firm at a team level. In another recent study by Lønsmann (2017) on the use of CCL, the author noted that the effectiveness of CCL is contingent on the local linguistic context, wherein the language competence of individuals and their ability to see the benefits from the use of a CCL. This finding links back in part to the first task of change: developing an appreciation for change, which suggests that without taking the initiative to highlight the need for change, most change initiatives are likely to be unsuccessful.

As it is evident from the above review, bulk of the studies fall under the realm of use of CCL in cross-border language research, and within this latter stream, several solutions have been proposed. These include the use of repetition, bridge individuals and *code-switching*–which involves the temporary use of the acquirer or acquired firm's local language in explaining, discussing and clarifying an aspect during their formal interactions before reverting to the expected CCL (Vigier & Spencer-Oatey, 2017).

However, even this solution is not free from its detractors. The authors further note that it is not a question of whether or not to use *code-switching* where CCL is the default language, but it is more a matter of *how* one manages the expectations of team members in the events where *code-switching* interactions occur between team members. Similarly, the impacts of CCL without actually understanding when and how to use it also often results in adverse outcomes for inter-group dynamics between bidder and target firms, especially if the target firms language diversity is very high (Woo & Giles, 2017). The extent to which CCL has a positive and/or a negative impact on various dimensions of group cohesiveness such as group involvement, conflict and trust also requires a processual approach and contextual sensitiveness (Lauring & Selmer, 2010). The above research points to our earlier discussion regarding providing the managers with the relevant tools and techniques in effectively managing the third task of change–executing change, wherein managers are empowered with the right tools and capabilities as well as the organisation provides an enabling and supportive climate for successfully executing change.

Studies on language competencies and translations

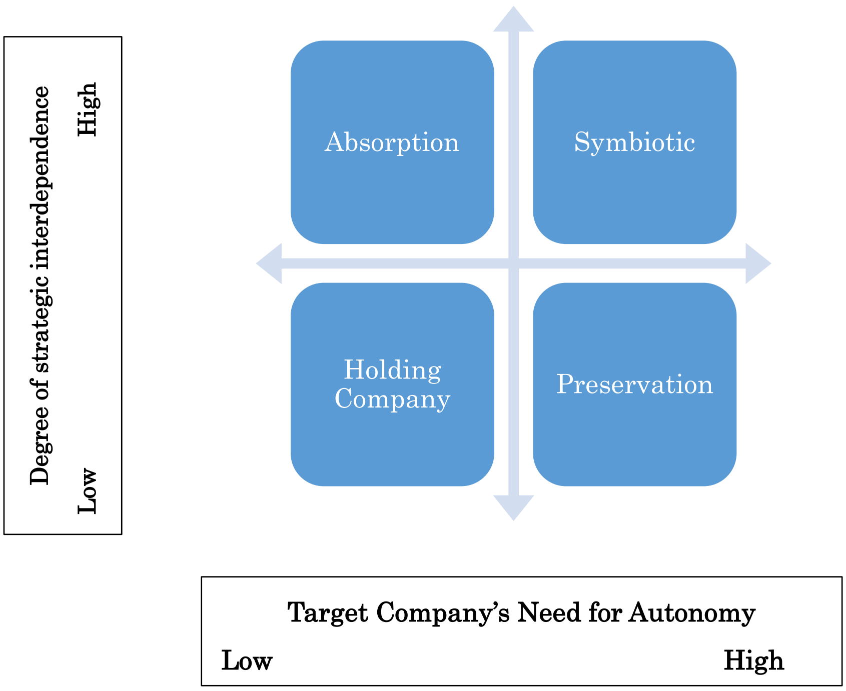
While it is not always possible to find studies that will fall into one distinctive group, as both firms and researchers employ more than one focus in dealing with and studying language issues in MNCs in an M&A context. We have grouped these studies based on our understanding of the above three categories. Some overlap as seen in the studies by Tenzer and Pudelko (2017) and Kroon et al. (2015) on the use of CCL and developing a competency in the use of English language fluency and its impact on people, is unavoidable. In one of the earlier works in this area, Piekkari and Zander (2005) highlight the importance of developing language competencies and the use of language training and communication strategies for developing competence in managing change and people in international contexts. The role of translation services as a strategy has also been evident in studies of language differences when both the acquirer and the acquired firm are non-native English language speakers (Feely & Harzing, 2003; Harzing et al, 2011). Adopting a cultural and political approach to study the impact of translation services, Usunier (2017) notes that the use of standardized approaches to translation in multi-lingual settings often leads to distortions in meaning. Other translation studies have also highlighted that messages often get *lost in translation* in cross-border research (Feely & Harzing, 2003; Welch et al., 1999). In some cases it maybe deliberate on part of the translators to present a neutral or a less confrontational message to the target/bidder, nevertheless, such an approach leads to longer-term issues of breach of trust and delayed decision-making between the communicating parties. Moreover, translation strategy is not always a desirable strategy as in several language contexts there are numerous words that do not have an exactly translatable word from the local language to English (Blenkinsopp, & Shademan Pajouh, 2010; Usunier, 2017).

Tietze, Tansley and Helienek (2017) analyse the effectiveness of knowledge transfer through the use of translation services and highlight the central position played by a translator in such a role, however, the authors also warn that discourse and context cannot be separated. As a consequence, there is always potential for some messaging to be lost in translation, or what the authors argue is as a result of the 'discursive void', which adversely affects knowledge transfer outcomes. Tréguer-Felten (2017), employing the lens of cross-cultural management analysed the use of translation services in dealing with complexities associated with language differences in cross-cultural settings. Comparing differences between French and English language in a French multinational, she revealed anomalies in different translation outputs as evidenced in the French Corporate Code of Conduct. She notes there were differences due to the ways the message was put across by the French. While the above highlights an important role played by translators in communicating messages effectively, these studies also highlight the challenges inherent in translations. In dealing with some of the language issues presented above, Aichhorn and Puck (2017) propose the use of 'company speak' instead of a common language, translation services or a combination of the two (bidder and target firm's) languages, as a way forward.

Towards a Conceptual Model of Language Strategies for PMI

In the following, we develop a conceptual model based on the idea of a cross border acquisition, having both, the target and the bidder as non-native English language speakers. We connect Haspeslagh and Jemison's (1991) seminal work with the use of language who developed four categories shown in Figure 1 below. In acquisitions where the degree of strategic interdependence is high and acquired firm's need for autonomy is low, the acquisition is according to Haspeslagh and Jemison (1991) classified as 'absorption'; where the degree of strategic interdependence is low and the acquired firm's need for autonomy is high, the acquisition is classified as 'preservation; where the degree of strategic interdependence is high and acquired firm's need for autonomy is high, the acquisition is classified as 'symbiotic acquisition'; and finally where the degree of strategic interdependence is low and acquired firm's need for autonomy is also low, the acquisition is classified as a 'holding company' as there is full integration.

Figure 1: Mapping Acquisitions: Strategic Interdependence and Need for Autonomy



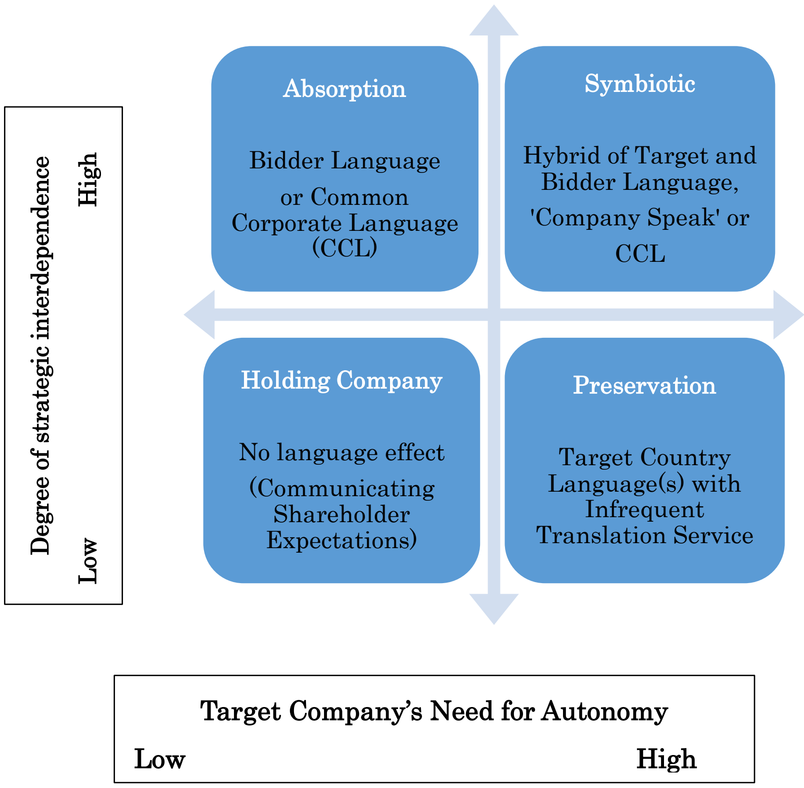
Based on the above classification and informed by the literature on language, we develop a set of appropriate language strategies at the target firms depicted in Figure 2 below. Firms that fall into the absorption category, get subsumed and merged into the bidder firm's structure and as such present opportunities for rationalization and savings in resources and other capabilities. There is evidence from research on subsidiaries of MNCs, which suggests that subsidiaries are severely affected by language differences in their inter-unit communications. We apply this logic to the target firms. Bidder may either introduce their (own) language to the target, as was seen in the case when a Swedish bank overtook a Finnish bank and the Finns had to adjust at the beginning of the PMI to the Swedish language (Piekkari, Vaara, Tienari, and Saentti, 2005). The other choice is the use of a CCL as an advantageous strategy (Marschan-Piekkari et al., 1999; Feely & Harzing 2003; Harzing et al., 2011; Lauring &

Selmer, 2010). To sum up, we argue that acquiring firms most likely implement either their own language at the target firm or implement a CCL, such as English. The choice of language implementation also depends on the degree of similarity. Owing to the potential language differences in cross-border merger deals, the absorbed target firm is most likely to benefit from a common corporate language in case the bidder and target languages differ considerably. This gives rise to two testable propositions for research.

Proposition 1.1: Target firm's managers at absorptive firms will either need to adjust to the bidder language or have to switch to a common corporate language (CCL) such as English.

Proposition 1.2: The higher the language distance of the bidder and target, the more likely, a common corporate language (CCL) will be introduced.

Figure 2: Mapping Acquisitions with Language Strategies



In the second category of preservation firms, the nature of language challenges is quite low as the intensity of interactions between the bidder and acquirer is limited given its low degrees of strategic interdependence and a high status of organizational autonomy. We argue in line with previous research, in cases where the nature of interaction and coordination between inter-organizational units is low and the autonomy is high, local target firm managers continue to use their target country language with infrequent use of translators (Piekkari & Zander 2005). Especially in preservation acquisitions, we argue that the target firm's language(s) could be continued, but it may also be supplemented with the use of mediators (e.g. translators) –internal or external–who are proficient in the use of both the languages–i.e. that of the acquirer and the acquired firm. It is also worth highlighting here that the cultural and political dimensions of translation services should not be forgotten as it may lead to divergence in meaning (Usunier, 2017). This gives rise to the next proposition.

Proposition 2: Target firm's managers at preservation firms will continue to use their own country language with infrequent use of translators.

In the third category of symbiotic firms, the nature of challenges are manifold as the intensity of interactions between the bidder and target are very high given their high degrees of strategic interdependence and so is their need for organizational autonomy. Owing to the potential language differences in cross-border merger deals, we argue for a hybrid approach at symbiotic acquisitions wherein the target firm's common language may continue along with bidder's common language spoken by the headquarter's sent managers. At this strategic choice, code switching activities would be most common. That means, country teams would speak first in their "own" language and then join together with the other side to exchange and to find the best solutions. Especially in this constellation of a symbiotic target firm, the bidder may send some skilled expatriates or other managers to the target who may be multilingual to enforce bridge building activities. In this scenario, it would be also advisable to develop some multilingual local managers fluent in the use of both the languages–that of the acquirer and the acquired firm. As Beeler and Lecomte (2017) highlight, firms are better off in the long run with the use of an inclusive language approach if they were to promote hetroglossia in their organisations. A lower possibility in this case would be to have a common language implemented such as English. Finally, some researchers have suggested the use of 'company speak' (Aichhorn & Puck, 2017) as a potential solution for such acquisitions. This leads to the next proposition.

Proposition 3: Target firm's managers at symbiotic firms will predominantly use their own language along with a parallel use of the bidder firm language spoken by headquarter sent managers. A common language or company speak for the long run is recommended.

In the final and the fourth category of a holding company, the nature of challenges present here are minimal as the intensity of interactions between the bidder and acquirer is virtually non-existent (Haspeslagh & Jemison, 1991). The focus in such acquisitions is more on return on investment for the shareholders of the holding company. In such cases the focus is rather on managing the shareholders' expectations of the holding firm regarding revenue increase, profits and returns. Even though there are language differences, we argue that the target firm's language should be enough with some basic language translation skills in terms of financial metrics that this acquisition is expected to contribute to the parent company of this holding company. This leads to the final proposition of this research.

Proposition 4: Target firm's managers at holding subsidiaries will continue speaking their own language.

Discussion and Conclusion

Based on the above review and our propositions, we note several gaps in the language research in post-merger integration period. Namely, much of the work has focused on general issues of language strategies involving a top-down approach such as evident in the use of a CCL. There is paucity in the research on language distance and how it informs resource allocation decisions, provision of translation services and/ or language training to overcome language differences. To our knowledge, no thought has been given to strategic issues of target integration at M&A and the role of language. There are also several methodological gaps in the research undertaken in this area. Much of the research remains adopting a reductionist approach using cultural and language distance indices as a means of analyzing the impact of language on international management issues such as managing differences at an inter- and intra-unit level. A number of studies have employed databases for studying M&A performance and decisions in a PMI context (Kedia & Reddy, 2016; Navío-Marco et al., 2016). This suggests that there is a need for a more nuanced understanding in segmenting strategic M&A scenarios.

There are some encouraging signs using dialogical approaches in uncovering the "dark side" of language (Beeler & Lecomte, 2017). Beeler, Cohen, de Vecchi, Kassis-Henderson, and Lecomte's (2017) recent special issue on language in such contexts is a welcome step in the right direction as it encourages scholars to ask questions of how people are experiencing the challenge rather than about people managing these challenges. Even though CCL has been noted as an efficient strategy in the above stream of studies, some scholars have highlighted the problems inherent in such approaches as language imposes a power structure as well as invokes emotions and a loss in status among non-native English language speakers, especially if they are not competent in the use of such CCL (Neely et al., 2012; Woo & Giles, 2012).

The above discussion opens important gaps for future research on language. We believe, based on our review of the literature on language and M&As in particular, the scholarship can benefit from the conceptual model developed in this paper as it will help guide future research and practice regarding the nature of language at PMI in M&A. Moreover, from a target's perspective, knowing which language strategy would be most desirable to facilitate a smooth post-merger integration is a key theoretical contribution we offer in our paper.

The paper is not without its limitations. Our propositions need to be tested in future studies. It may be difficult to not only to collect data on segmenting such firms but also to investigate about the language used at the target firms. Also, a generalization is difficult as firms differ in regard to their country of origin. Japanese firms, for example, normally allow cross-border targets an autonomous status, while European cross-border targets, for example taken over by German firms are most likely to be absorbed. To this end, a purposive sampling approach using a qualitative case study design investigating in individual employees rather than managers could be vital to yield a better understanding of the challenges a language brings with its use at the target.

References

Agrawal, A., Jaffe, J.F., & Mandelker, G.N., (1992). The Post-Merger Performance of Acquiring Firms: A Re-examination of an Anomaly. *Journal of Finance* 47, 1605-1621

Antila, E.M. (2006). The role of HR managers in international mergers and acquisitions: a multiple case study. *International Journal of Human Resource Management*, **17**, pp. 999–1020.

Aichhorn, N., & Puck, J. (2017). Bridging the language gap in multinational companies: Language strategies and the notion of company-speak. *Journal of World Business*, *52*(3), 386-403.

Bauer, F., & Matzler, K. (2014). Antecedents of M&A success: the role of strategic complementarity, cultural fit, and degree and speed of integration. *Strategic Management Journal*, **35**, pp. 269–291.

Bebenroth, R., & Thiele, K. O. (2017). When organizational justice matters for affective merger commitment. *Thunderbird International Business Review*, 59(2), 227-241.

Beeler, B., Cohen, L., de Vecchi, D., Kassis-Henderson, J., & Lecomte, P. (2017). Special issue on language in global management and business. *International Journal of Cross Cultural Management*, 17(1) 3–6

Beeler, B., & Lecomte, P. (2017). Shedding light on the darker side of language: A dialogical approach to cross-cultural collaboration. *International Journal of Cross Cultural Management*, 1470595816686379.

Bijlsma-Frankema, K. (2004). Dilemmas of managerial control in post-acquisition processes. *Journal of Managerial Psychology*, **19**, pp. 252–268.

Blenkinsopp, J., & Shademan Pajouh, M. (2010). Lost in translation? Culture, language and the role of the translator in international business. *Critical perspectives on international business*, *6*(1), 38-52.

Brannen, M.Y., & Peterson, M.F. (2009). Merging without alienating: interventions promoting cross-cultural organizational integration and their limitations. *Journal of*

International Business Studies, **40**, pp. 468–489.

Cartwright, S., & Schoenberg, R. (2006). Thirty years of mergers and acquisitions research: recent advances and future opportunities. *British Journal of Management*, **17**(S1), pp. S1–S5.

Choi, S., Holmberg, I., L¨owstedt, J. & Brommels, M.(2012). Managing clinical integration: a comparative case study in a merged university hospital. *Journal of Health Organization and Management*, **26**, pp. 486–507.

Datta, D.K., Rajagopalan, N., & Rasheed, A.M.A., (1991). Diversification and Performance: Critical Review and Future Directions. *Journal of Management Studies 28*, 529-558

Ellis, K.M., & Lamont, B.T. (2004). 'Ideal' acquisition integration approaches in related acquisitions of equals: a test of long-held beliefs. *Advances in Mergers and Acquisitions*, **3**, pp. 81–102.

Feely, A. J. & Harzing, A. (2003). Language management in multinational companies. Cross Cultural Management: An International Journal, 10(2), 37 -52. http://dx.doi.org/10.1108/13527600310797586

Ghauri, P.N. & Buckley, P.J. (2003). International mergers and acquisitions: past, present and future. *Advances in Mergers and Acquisitions*, **2**, pp. 207–229.

Ghoshal, S., Korine, H., & Szulanski, G. (1994). Interunit communication in multinational corporations. *Management Science*, *40*, 96–110.

Gomes, E., Angwin, D.N., Weber, Y., & Yedidia Tarba, S. (2013). Critical success factors through the mergers and acquisitions process: revealing pre- and post-M&A connections for improved performance. *Thunderbird International Business Review*, **55**, pp. 13–35.

Greenwood, R., Hinings, C.R., & Brown, J. (1994). Merging professional service firms. *Organization Science*, **5**, pp. 239–257.

Graebner, M. E. (2004). Momentum and serendipity: How acquired leaders create value in the integration of technology firms. *Strategic Management Journal*, 25: 751-777.

Graebner, M., Heimeriks, K., Huy, Q., & Vaara, E. (2017). The process of post-merger integration: a review and agenda for future research. *Academy of Management Annals*, 11(1), 1–32.

Haspeslagh, P.C. & Jemison,D.B. (1991). *Managing Acquisitions: Creating Value Through Corporate Renewal*. New York: Free Press; Collier Macmillan Canada; Maxwell Macmillan International.

Haleblian, J., & Finkelstein, S. (1999). The influence of organizational acquisition experience on acquisition performance: a behavioral learning perspective. *Administrative Science Quarterly*, **44**, pp. 29–56.

Harzing, A.W.K. (2003). The role of culture in entry mode studies: From negligence to myopia? Advances in International Management, 15: 75–127.

Harzing, A. W., Köster, K., & Magner, U. (2011). Babel in business: The language barrier and its solutions in the HQ-subsidiary relationship. *Journal of World Business*, *46*(3), 279-287.

Hofstede, G. (1980 and 2001). Culture's consequences, international differences in workrelated values. Beverly Hills, CA: Sage.

Hubbard, N., & Purcell, J. (2001). Managing employee expectations during acquisitions. *Human Resource Management Journal*, **11**, pp. 17–33.

Ismail, M., & Bebenroth, R. (2016). Organizational justice and organizational identification of millennials in mergers and acquisitions: a conceptual framework. *Eur J Soc Sci*, 51(4), 397-409.

Janssens, M., Lambert, J., & Steyaert, C. (2004). Developing language strategies for international companies: The contribution of translation studies. *Journal of World Business*, *39*(4), 414-430.

Jemison, D.B., & Sitkin, S.B. (1986). Corporate acquisitions: a process perspective. *Academy of Management Review*, **11**, pp. 145–163.

Jensen, M.C., & Ruback, R.S., 1983. "The Market for Corporate Control - The Scientific Evidence." *Journal of Financial Economics 11*, 5-50

Joshi, V., & Goyal, K.A. (2013). Post-merger appraisal of stress level among bank employees: a case study. *Journal of Social and Development Sciences*, **4**, pp. 152–163.

Junni, P., & Sarala, R.M. (2014). The role of leadership in mergers and acquisitions: a review of recent empirical studies. *Advances in Mergers and Acquisitions*, **13**, pp. 181–200.

Kedia, B. L., & Reddy, R. K. (2016). Language and cross-border acquisitions: An exploratory study. *International Business Review*, *25*(6), 1321-1332.

Kiefer, T. (2002). Understanding the emotional experience of organizational change: evidence from a merger. *Advances in Developing Human Resources*, **4**, pp. 39–61.

Kroon, D., Noorderhaven, N., & Leufkens, A. (2009). Organizational identification and cultural differences: explaining employee attitudes and behavioral intentions during postmerger integration. *Advances in Mergers and Acquisitions*, **8**, pp. 19–42.

Kroon, D.P., Cornelissen, J.P., & Vaara, E. (2015). Explaining employees' reactions towards a cross-border merger: the role of English language fluency. *Management International Review*, **55**, pp. 775–800.

Larsson, R., & Lubatkin, M. (2001). Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: A case survey of synergy realization. *Organization Science,* 10(1), 1-26.

Lauring, J., & Selmer, J. (2010). Multicultural organizations: Common language and group cohesiveness. *International journal of cross cultural management*, *10*(3), 267-284.

Lønsmann, D. (2017). Embrace it or resist it? Employees' reception of corporate language policies. *International Journal of Cross Cultural Management*, *17*(1), 101-123.

Lin, C.Y.-Y., & Wei, Y.-C. (2006). The role of business ethics in merger and acquisition success: an empirical study. *Journal of Business Ethics*, **69**, pp. 95–109.

Marschan-Piekkari, R., Welch, D., & Welch, L. (1997). Language: The forgotten factor in multinational management. *European Management Journal*, *15*(5), 591-598.

Marschan-Piekkari, R., Welch, D., & Welch, L. (1999). In the shadow: The impact of language on structure, power and communication in the multinational. *International Business Review*, *8*(4), 421-440.

Monin, P., Noorderhaven, N., Vaara, E., & Kroon, D. (2013). giving sense to and making sense of justice in post-merger integration. *Academy of Management Journal*, **56**, pp. 256–284.

Navío-Marco, J., Solórzano-García, M., Matilla-García, M., & Urueña, A. (2016). Language as a key factor of long-term value creation in mergers and acquisitions in the telecommunications sector. *Telecommunications Policy*, *40*(10), 1052-1063.

Nilakant, V., & Ramnarayan, S. (2006). *Change management: Altering mindsets in a global context*. SAGE Publications India.

Neeley, T. B., Hinds, P. J., & Cramton, C. D. (2012). The (un) hidden turmoil of language in global collaboration. *Organizational Dynamics*, *41*(3), 236-244.

Puranam, P., Singh, H., & Zollo, M. (2006). Organizing for innovation: Managing the coordination-autonomy dilemma in technology acquisitions. *Academy of Management Journal*, 49(2), 263-280.

Piekkari, R., Vaara, E., Tienari, J., & Säntti, R. (2005). Integration or disintegration? Human resource implications of a common corporate language decision in a cross-border merger. *The International Journal of Human Resource Management*, 16(3), 330-344.

Ranft, A.L. (2006). Knowledge preservation and transfer during post-acquisition integration. *Advances in Mergers and Acquisitions*, **5**, pp. 51–67.

Reus, T.H., Lamont, B.T., & Ellis, K.M. (2015). A darker side of knowledge transfer following international acquisitions. *Strategic Management Journal*, doi:10.1002/smj.2373.

Reiche, S., Harzing, A., & Pudelko, M. (2015). Why and how does shared language affect subsidiary knowledge inflows? A social identity perspective. *Journal of International Business Studies,* 1-24

Roll, R. (1986). The hubris hypothesis of corporate takeovers. Journal of business, 197-216.

Schoenberg, R. (2000). The influence of cultural compatibility within cross-border acquisitions: a review. Advances in Mergers and Acquisitions, 1, pp. 43–59.

Stahl, G.K., & Voigt, A. (2008). Do cultural differences matter in mergers and acquisitions? A tentative model and examination. *Organization Science*, **19**, pp. 160–176.

Steigenberger, N. (2016). The challenge of integration: A review of the M&A integration literature. *International Journal of Management Reviews*. . doi:10.1111/ijmr.12099

Piekkari, R.,Vaara, E., Tienari, J., & Saentti, R. (2005). Integration or disintegration? Human resource implications of a common corporate language decision in a cross-border merger. *International Journal of Human Resource Management*, **16**, pp. 330–344.

Piekkari, R., & Tietze, S. (2011). A world of languages: Implications for international management research and practice. *Journal of World Business*. 267-269.

Tanure, B., & Gonzales-Duarte, R. (2007).Managing people in radical changes (M&As): the adoption of intrinsically consistent HRM strategies in Brazilian companies. *International Journal of Manpower*, **28**, pp. 369–383.

Tenzer, H., & Pudelko, M. (2017). The influence of language differences on power dynamics in multinational teams. *Journal of World Business*, *52*(1), 45-61.

Tietze, S., Tansley, C., & Helienek, E. (2017). The translator as agent in management knowledge transfer. *International Journal of Cross Cultural Management*, *17*(1), 151-169.

Tréguer-Felten, G. (2017). The role of translation in the cross-cultural transferability of corporate codes of conduct. *International Journal of Cross Cultural Management*, *17*(1), 137-149.

Thomson, N., & McNamara, P. (2001). Achieving post acquisition success: the role of corporate entrepreneurship. *Long Range Planning*, **34**, pp. 669–697.

Tuch, C., & O'Sullivan, N. (2007). The impact of acquisitions on firm performance: a review of the evidence. *International Journal of Management Reviews*, **9**, pp. 141–170.

UNCTAD (2012). *Towards a new generation of investment policies.* Geneva: United Nations.

Usunier, J. C. (2011). Language as a resource to assess cross-cultural equivalence in quantitative management research. *Journal of World Business*, *46*(3), 314-319.

Vaara, E. (2003). Post-acquisition Integration as sensemaking: glimpses of ambiguity, confusion, hypocrisy, and politicization. *Journal of Management Studies*, **40**, pp. 859–894.

Vigier, M., & Spencer-Oatey, H. (2017). Code-switching in newly formed multinational project teams: Challenges, strategies and effects. *International Journal of Cross Cultural Management*, *17*(1), 23-37.

Vidal-Suárez, M., & López-Duarte, C. (2013). Language distance and international acquisitions: A transaction cost approach. *International Journal of Cross Cultural Management*, *13*(1), 47-63.

Wei, T., & Clegg, J. (2014). Successful integration of target firms in international acquisitions: a comparative study in the medical technology industry. *Journal of International Management*, **20**, pp. 237–255.

Welch, D., Welch, L., & Piekkari, R. (2005). Speaking in tongues: The importance of language in international management processes. *International Studies of Management & Organization*, 35(1), 10-27.

Woo, D., & Giles, H. (2017). Language attitudes and intergroup dynamics in multilingual organizations. *International Journal of Cross Cultural Management*, *17*(1), 39-52.