Takeovers and Acculturation: Linkages from East German Privatisations to Workforce Integration*

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Many takeovers and mergers are not successful, over half fail. Specific after sale integration problems arising from a lack of workforce integration can cause failure. The continued long term success of firms is postulated as requiring a type of acculturation which allows a willingness and motivation to perform. Through a series of interviews with East German managers and employees in foreign acquired units, together with employees released after takeover, the type of acculturation and perceived level of integration was examined. An interesting linkage emerged. The perceived level of integration was viewed by the interviewees as being higher in the firms where the workforce feels their past is accepted and has been integrated into the new firm's operations.

Viele Übernahmen und Zusammenschlüsse sind nicht erfolgreich, über die Hälfte scheitern. Bestimmte Probleme der Integration, die nach dem Verkauf auftreten, sind die Folge einer nicht integrierten Belegschaft. Der langfristige Erfolg der Firma hängt von einer Art der Akkulturation ab, die die Bereitschaft und Motivation zur Leistung zuläßt.

Durch eine Reihe von Interviews einerseits mit Managern und Mitarbeitern in Ostdeutschland, deren Firmen von ausländischen Käufern übernommen worden waren, andererseits mit Mitarbeitern, die nach der Übernahme ihren Arbeitsplatz verloren haben, wurde die Art der Akkulturation und der wahrgenommene Grad des Integrationhaben, übergeprüft. Eine interessanter Zusammenhang ergab sich dabei: Das Niveau des Integration wurde von allen Befragten in den Firmen als besser betrachtet, wo der Belegschaft ein Gefühl der Anerkennung ihrer Vergangenheit und deren Integration in den Operationen der neuen Firma gegeben wurde.

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1. Introduction

In the Autumn of 1989, the people of East Berlin streamed through the newly breached wall and were met with such joy by their western neighbours. Strangers embraced, impromptu parties took place. Seven years on, the euphoria is gone, together with the physical wall. The embracing East and West Berliners view each other with sullen contempt. Against this society level backdrop, this paper's purpose is to view the integration of the workforce at the level of the firm. The hunch being that the macro level disappointments would be mirrored in the work place where west and east come into contact. It quickly became obvious that although the West and East Germans share a common heritage, there has developed after 40 years in the ice box a divergence in the ways of viewing the world. The differences in outlook seem to have been better appreciated by some, often non-West German, management and consequently they proceeded in a less rigorous and more unstructured way to transform their East German acquisitions. Other purchasers seem to have viewed their new acquisitions as just an under-developed adjunct to their home base, which they then proceeded to 'straighten out', safe in the untested knowledge that if it worked in one part of the world it would work again in another. The consequences may become apparent in the future. According to the disciples of the learning organisation, an engaged, integrated workforce will bring long term competitive advantage, exactly what East German firms will need to face the new millennium. Only time and more research will tell if this is the case.

The paper will firstly discuss aspects of mergers and acquisitions, acculturation models, privatisation, the definition of success and the link between integration, motivation and the learning organisation. The intention is to lay down the basis which will underlie the data collection and analysis sections which follow.

2. Research Framework

2.1 Mergers & Acquisitions

The literature on mergers and acquisitions splits into three groupings. The most researched and established part concentrates on reasons for the choice of a merger partner. Most of this research has focused on the strategic or financial fit (Blake/Moulton, 1984, Chatterjee, 1986, Lubatkin, 1987). The fit or synergy was only viewed in a non-dynamic way, usually by examining the position prior to merger. Jamison/Sitkin, 1986 expanded this view to see it as a *process* over time, including the period of negotiating the merger. Another work falling into the process grouping is that of Mirvis/Sales (1984) who used a longitudinal three year study of a merger, covering prior to, during and post negotiations phases to come up with types of acculturation shown in Table 1. This work forms the basis of classification for acculturation in this paper. The final grouping in the literature looks at the post merger time period. There are several post merger

activities which have been researched: human resource management (Canella/Hambrick, 1993), management systems or tasks (Shrallow, 1985, Schweiger/Walsh, 1990). The cultural interaction theme is currently receiving much attention but the existing literature (Mirvis/Sales, 1984, Walter, 1985, Shivastava, 1986, Nahavandi/Malekzadeh, 1988, Chatterjee, Lubatkin, Schweiger/Weber, 1992) is not encyclopaedic.

The issue of mergers & acquisitions can be viewed from a macro (national) or micro (employee) position. The idea that West Germany has bought out East Germany and imposed the culture of the winner on the looser is prevalent not just in East Germany. The long term effects of this perception, regardless of if its actually true or not, may well be future social and political unrest. However the macro level falls outside the scope of this paper.

2.2 Model used to classify mergers & acquisitions

The intermingling of two cultures is called acculturation, a term borrowed from anthropology (Berry, 1980). There are four possible types of acculturation according to Mirvis/Sales, 1984 as shown in Table 1.
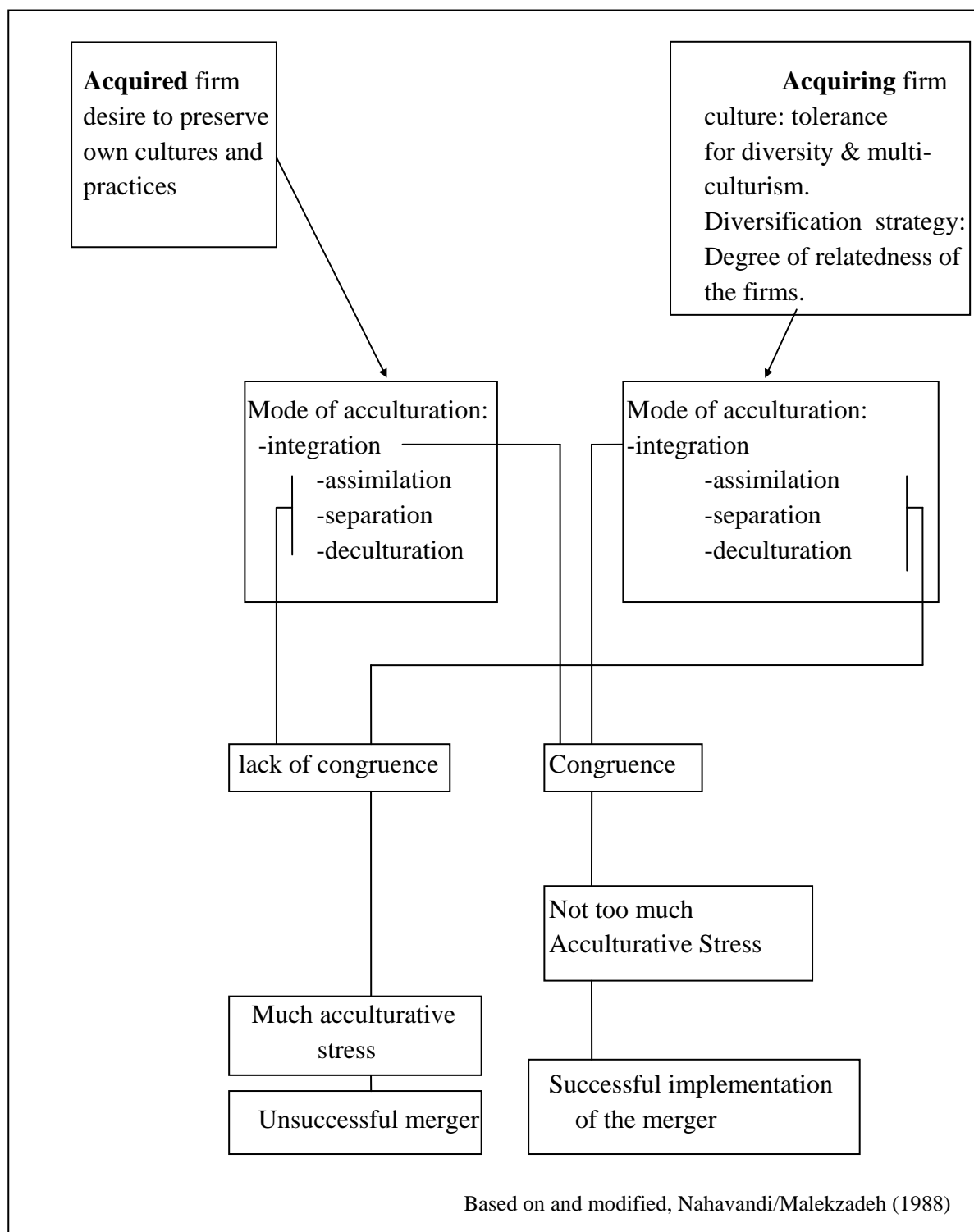
Table 1: Types of acculturation

- Integration - The acquired firm has pride in its distinctiveness and lives in peaceful co-existence with the new owners.

    - Pluralism, when more than one cultural group is present in an organisation.

    - Multiculturalism, in addition to pluralism the diversity of cultural groups is valued.

- Assimilation - Assumes that keeping the institutions and cultural patterns of the dominant group is standard.

    - Melting pot, when the acquired firm moves freely to the culture of the new owner.

    - Pressure cooker, when the movement is coerced.

- Rejection - The premeditated seperation of the two cultures either by the acquirer or the acquired.

    - Withdrawal, self-segregation or flight.

-     - Segregation, group distinctiveness and seperation are enforced by the dominant owner.

- eiving up the original culture but not taking on the new dominant culture, thus remaining outcasts to both groups.

    - Marginality, people in the acquired firm chose to remain outside both cultures.

    - Ethnocide, people in the acquired firm are forced to remain outside both cultures.

* Based on Mirvis / Sales 1984)

Each typology has two variants and although there are only certain variants which were identified in the research data, all are explained for thoroughness.

Table 2:Acculturative model of mergers & acquisitions implementation

Acquired firm desire to preserve own cultures and practices

Acquiring firm culture: tolerance for diversity & multi-culturism. Diversification strategy: Degree of relatedness of the firms.

Mode of acculturation:
-integration
  -assimilation
  -separation
  -deculturation

Mode of acculturation:
-integration
  -assimilation
  -separation
  -deculturation

lack of congruence

Congruence

Not too much Acculturative Stress

Much acculturative stress

Unsuccessful merger

Successful implementation of the merger

Based on and modified, Nahavandi/Malekzadeh (1988)

The Mirvis/Sales classification of acculturation is also integrated into Nahavandi/ Malekzadeh's Acculturative Model for the implementation of mergers and acquisitions. Each of the acquisitions which were discussed in the interviews and written material was typified using the acculturation model shown below in Table 2.

Of particular interest in the research is a view formulated by Baden-Fuller/Boschetti, 1995, 'in a merger between a strong, successful and a weak, unsuccessful organisation, one would expect most of the learning to go from the strong to the weak but with some transfer of the knowledge, skills and capabilities from the weak to the strong'. In this research the acquiring firms were western and strong - strong in financial, commercial and technical know-how. The acquired eastern and weak - weak in so far as they lacked the above finance and knowledge necessary for survival in a market economy. Were then the acquired firms forced to become unwilling clones of their western owners? If that were so then the resources existent in the East German organisations would have been wasted.

2.3 Privatisation

The research concentrated on still operating ex-combines which were 100% purchased off the privatisation authority, the Treuhandanstalt (THA). It should be emphasised that many other ways of privatising state owned organisations are available and other methods were also used in East Germany, see Estrin (1994) for a discussion and listing. Other methods practised in Central & Eastern Europe such as vouchers, give aways etc. were not used. The decision to limit the vehicles of privatisation was taken at the formation of the THA and was justified on expediency grounds.

2.4 Motivation, Integration and a Learning Organisation

The link between a motivated workforce and efficiency is the bed rock of modern Human Resource Management, although a causal effect has never been scientifically proven (Luthans: 123). A workforce which feels wanted and valued by the parent organisation is more likely to feel integrated with the goals of the firm. So motivation and integration are necessary precursors of an organisation based on learning. Learning has long been associated with the creation of economic wealth (Hayeck, 1945; Penrose, 1959). Beginning with the seminal work by Argyris and Schon in 1978 and gaining wide practitioner acceptance through the best selling book 'The Fifth Discipline' - P. Senge (1990), the usefulness of learning to expanding the resources and capabilities has been championed. Although it is individuals who learn, it is the integration of this knowledge into the firm's activities through shared vision and team learning which translates this tacit, personal knowledge into shared, competitive advantage. A recent book by Noneka/Takeuchi (1995) explains how knowledge once formed can be integrated and disseminated throughout the firm allowing

potential economies of scope in new product or methods development. It would seem logical that a workforce that is integrated with the strategic goals of their firm would also facilitate the integration of knowledge throughout the organisation.
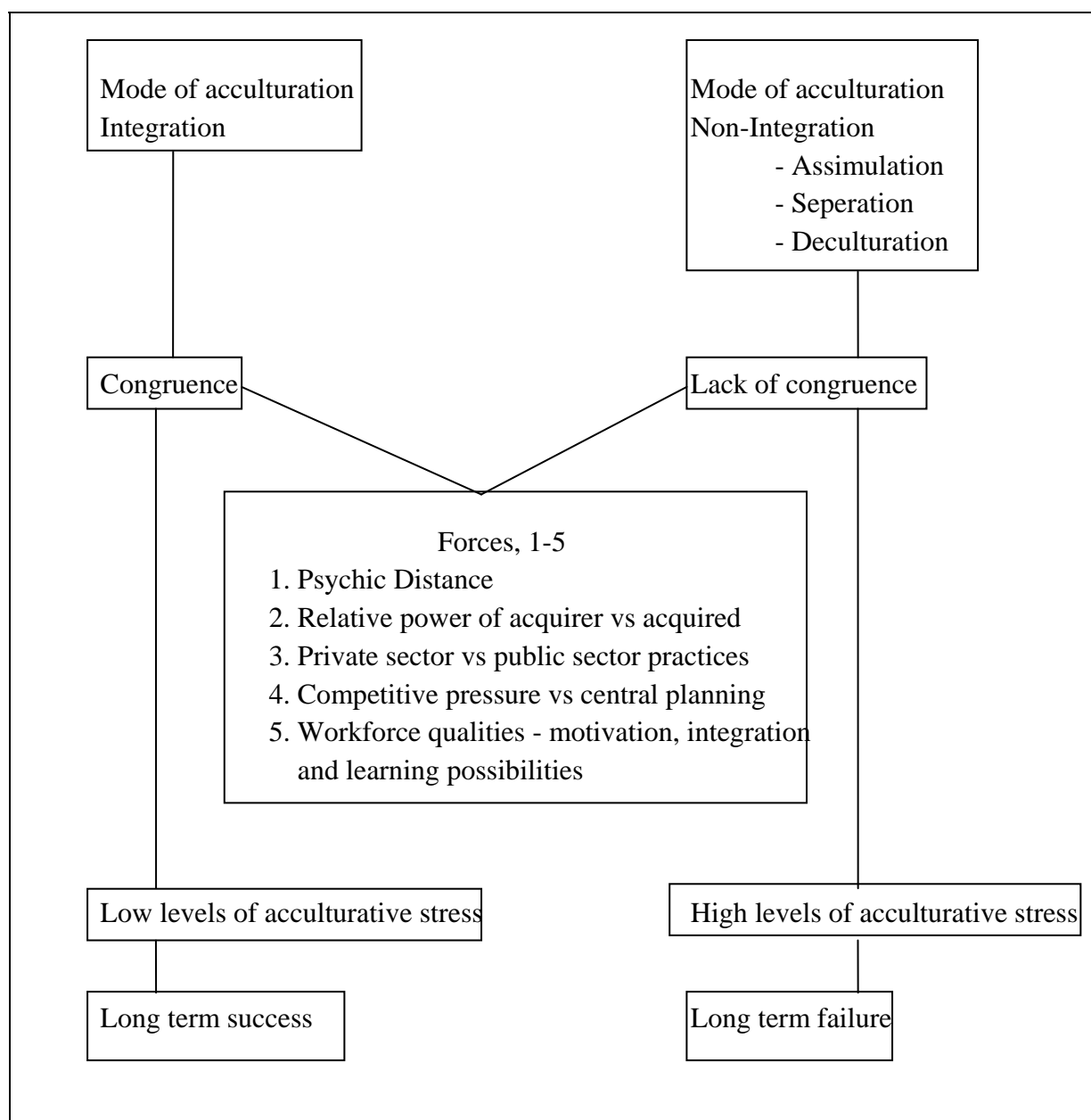
2.5 Success

Over half of all mergers and takeovers fail (O'Connell, 1985). Here the firm does not still exists after 5 years and/or has changed the original purchaser. The opposite of failure is success. Success has many definitions depending on whose viewpoint is used. Profits are success for shareholders in neo-classical economics. Continued existence (longevity), Barkema et al (1996) and hence employment is success for employees and other stakeholders e.g. local government. The aims of this paper are to attempt to gauge the basis for future success, both profits and longevity, by looking at differences in the intensity of acculturation. The higher the intensity of acculturation, the more likely is a level of empowerment and shared vision of the remaining original management and workforce upon which future success is dependent. The intensity of acculturation partly depends on the ability of the new acquirer to recognise that there even exists differences in culture. The term psychic distance paradox (O'Grady/Lane, 1996) has been used to throw light on this phenomena in the area of international business expansion. Psychic distance is defined as factors preventing or disturbing the flow of information between potential or actual suppliers and customers (Nordström/Vahlne, 1992). The paradox is that psychically close countries are not necessarily easy to manage, because assumptions of similarity can prevent executives from learning about differences. They quote the example of 32 Canadian retailers companies which expanded into the USA and 80% of which failed, mainly because the incoming management assumed similarity of conditions in the country next door and having the same language. The parallel to West and East Germany is obvious.

2.6 Model of Success or Failure

The various headings so far discussed in the research framework can be viewed as forces in a force field diagram (Lewin, 1947). These forces act together to produce a certain level of acculturative stress. Too much stress hinders success in the long term and, whilst some stress is necessary for change, lower levels of acculturative stress would seem to be productive of success. These forces are reflected in Table 3 which extends Nahavandi/Malekzadeh's model (Table 2) to produce a model for predicting future success or failure in eastern privatisations.

Table 3: Two routes to potential success or failure in eastern privatisations

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┌─────────────────────────┐              ┌─────────────────────────────┐
│ Mode of acculturation   │              │ Mode of acculturation       │
│ Integration             │              │ Non-Integration             │
│                         │              │         - Assimulation      │
│                         │              │         - Seperation        │
│                         │              │         - Deculturation     │
└─────────────────────────┘              └─────────────────────────────┘
        │                                            │
┌────────────────┐                        ┌───────────────────┐
│ Congruence     │                        │ Lack of congruence │
└────────────────┘                        └───────────────────┘
        │                                            │
   ┌───────────────────────────────────────────────────┐
   │              Forces, 1-5                            │
   │   1. Psychic Distance                               │
   │   2. Relative power of acquirer vs acquired         │
   │   3. Private sector vs public sector practices      │
   │   4. Competitive pressure vs central planning       │
   │   5. Workforce qualities - motivation, integration  │
   │      and learning possibilities                     │
   └───────────────────────────────────────────────────┘
        │                                            │
┌───────────────────────────────┐        ┌───────────────────────────────┐
│ Low levels of acculturative    │        │ High levels of acculturative   │
│ stress                         │        │ stress                         │
└───────────────────────────────┘        └───────────────────────────────┘
        │                                            │
┌───────────────────────┐                ┌───────────────────────┐
│ Long term success     │                │ Long term failure     │
└───────────────────────┘                └───────────────────────┘
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3. Data Collection

3.1 Philosophical Basis

There are two philosophical schools of thought which influence the methods of research in management. Logical positivism and phenomenology occupy the opposite poles of research philosophy. The older of the two is positivism, an early proponent being the French philosopher Auguste Comte (1853). A collection of views falling within the positivist area can be synthesised down to two assumptions: firstly, reality is external and objective; secondly, only knowledge based on the observation of this external reality is of significance (Easterby-Smith, et al, 1991).

By contrast, phenomenology grew out of a growing awareness that major scientific discoveries, e.g. Newton - gravity, Fleming - penicillin and Einstein - relativity, were not the product of a logical and practical application of scientific method. The parallel here with Mintzberg's observation that what managers do is very different from what management theory predicted is compelling (Mintzberg, 1975: 49 - 61). Phenomenologists view that the world and 'reality' are socially constructed and given meaning by people (Husserl, 1946). Hence the task of the social scientist should not be to gather facts and measure patterns rather to appreciate the different constructions and meanings people place upon their experience. Human actions arise from the sense that people make of different situations.

A listing of the key choices to be made on a research design are shown below in Table 4.

Table 4: Positivist vs. Phenomenologist

Positivist		Phenomenologist
Researcher is independent	vs.	Researcher is involved
Large samples	vs.	Small samples
Testing theories	vs.	Generating theories

3.2 Rationale for Qualitative Design

So what does all this philosophy mean for the research in this paper? The rationale for plumping for a qualitative design can be explained by answers to the choices in Table 4. An involved researcher knows that he affects the research and is indeed part of it. Without being involved it is difficult to give weight to the view of reality imparted by the subject. The sample size and numbers involved are small, giving weight to a qualitative approach. Additionally, the nature of the subject matter itself is mainly non-quantitative, leading again towards qualitative research.

Instead of converging *deductively* on a neutral view of reality, phenomenological based research, *induces* alternate theories and models from the observed patterns. These alternative theories and models can be classified as claims to the truth. It is the originality and explanatory power of a truth claim, that is a form of expression and is a relationship with a larger public that produce value in a scientific community, (Lindlof, 1994: 250).

One quandary was that in studying acculturation and integration; is it logical to obtain all field interviews from people who have successfully integrated? Surely the 60% of the East Germans who did not successfully integrate (due to losing

their employment) have something to offer. To include this valuable source of information but to keep the research practical, a second pillar of the research was interviews with these unemployed ex-workers.

3.3 Role of the Researcher

The effects of a researcher's presence on the setting is as inevitable as it is hard to gauge. An example is Van Maanen's study on urban policing (in Open University Research Course,1972). The fact that this research took place in Germany, not the home land of the British researcher, just heightens the methodological research problems to be expected e.g. what effect has language on the credibility of cross-cultural research? How can these problems be overcome by a British researcher in the former East Germany?

If the issues being researched are seen as being salient to the East Germans, this was most definitely the case, then trust and commitment can be cultivated. Secondly, the researcher as a foreigner is seen as 'neutral' and not a threat whereas a West German researcher is definitely not. Thirdly, the maxim must be *translate accurately not literally*, rephrasing during the interviews is virtually unavoidable. The target should be to achieve conceptual equivalence.

3.4 Data Sources

1. There are three categories of data source in this paper.

2. Open ended interviews with managers and employees in two large foreign (non-German) acquisitions of ex-combines, given the cover names A & B. Also company C, a medium sized, non-German owned organisation. There were 19 interviews in total.

3. Information extracted from recent German research publications covering West German acquisitions of ex-combines (Müller, 1993&1994, Albach, 1994).

4. Open ended interviews with former employees of ex-combines who lost their jobs after the acquisition - 12 interviews in total.

See Table 5 in the appendix for interviewee information.

3.5 Data Collection Issues

All interviews were conducted in German by the author, a long time British resident of Berlin (West). Interviews were at the place of work or in the case of the redundant employees at a government training centre. Each interview lasted 1 - 1.5 hrs., was recorded, transcribed and translated. The idea was that patterns would emerge from the interviews which could be incorporated into following interview questions at subsequent interviews. As the sample is small and the firms were chosen by availability not representability, then no claim is made that the data is generalisable to East German industry as a whole. However the results did show linkage between the theoretical framework (Table 3), the data

collected (Table 7) and its analysis (Section 4). Therefore the linkage found needs further research of a quantitative nature using a representative sample to check for wider generalisability.

3.6 Background to Foreign Purchasers

i. Non -. West German Purchasers

In sheer numbers the foreign purchasers acquired only a small percentage of the total number (13,808) of firms to be privatisationed (5.9%, Vs 74.9% West German and the rest East German, THA, 1994). However these takeovers tended to be larger firms as is highlighted by the fact that although less than 6% of the total privatisations went to foreigners these same units accounted for 15% of sales receipts, 13.4% of employment guarantees and 15.1% of investment guarantees (Estrin, 1994: 135). Additionally there are inherent difficulties in trying to simplify the analysis of acquisitions in East Germany down to West German and non-West German (foreign) takeovers. Many of the foreign takeovers were negotiated, co-ordinated and operationalised by the West German subsidiary of the mother company. Can such a takeover be then categorised as a foreign purchase? Even when no West German subsidiary existed, the foreign firms often hired in West German professional managers to run key areas in the acquired company. There is obviously a continuum of foreignness, running from extremely foreign through to almost West German. Each of the three non-West German acquisitions of ex-combines is therefore placed on this continuum reflecting: (a) the number of imported managers - the bigger the number of home country and third country managers, not very prevalent in the sample, the more foreign the classification. More relevant was the number of imported West German managers which reduced the foreigness classification. Also in the formula was (b) the influence of any West German subsidiary. See the section on the operationalisation of the data at section 4.1.

Table 6: Foreign Firms in the Research

- Company A - a large utilities operation had no prior contact with West Germany and did not hire many West German specialists. Classified as largely foreign, with an integration type of acculturation further subdividable into multiculturalism.

- Company B - in the heavy electrical supply equipment area also had no prior contact with West Germany and did not hire many West German specialists. Also classified as having an integration type of acculturation but subdivided into pluralism.

- Company C - in planning and plant assembly within the chemical and water sector. Classified as integration acculturation with a multiculturalism subdivision.

ii. West German Purchasers

Eventhough West German purchasers took the lion's share of the privatisations, the number of West German managers moving permanently to East Germany was according to (Myritz, 1993) low. Only 1.4% of all managing directors in East Germany two years after the Wende were from West Germany. This figure is probably too low due to the statistics being collected soon after the Wende and only looking at Managing Directors. Klotz/Ladensack (1995) come a figure of 8.7% of top management transfering in from the West based on a sample of 55 firms. They further looked at management in what they term the first layer and came up with a figure of 43% of the managers being of western origin. It is the author's contention that those that did move were not expecting double layered acculturation but assumed the intra-German cultures were very similar. That this is not the case can be verified, see the reproduction of Hofstede's (1980) measurements of national culture for East Germany in Lindert/Hentze (1992)

A recent Harvard Business School Case Study (Dyck/Wrack, 1995) investigates a management KG privatisation - Plaschna Management KG. Here West German professional managers were induced to takeover and run part of an ex-combine, which made electrical motors and generators, based on a management agreement incorporating a bonus plan with an upside potential of DM 6 million over 3 years! The type of acculturation could be classified as assimilation lying somewhere between melting pot and pressure cooker.

A major study The Management of Transition in East German Firms, Albach, 1994 looked into 20 in-depth cases involving foreign investment. The difference between the case studies does not allow for an acculturation classification.

Seven of the ex-employees interviewed had worked for a short period for a West German takeover. Their companies were too diverse to be lumped together under one classification, but a definite feeling that assimilation was being attempted came out of the majority of interviews.

4. Data Analysis

4.1 Operationalisation of the Data

The data, which are summarised in Table 6 below, were analysed using the following criteria to assess different degrees of foreigness or different classifications of acculturation.

Foreigness

High Foreigness: - Presence of a West German subsidiary which involved itself

the affairs of East German acquisition.

is above- 25% of non-German top managers imported to run the firm all top managers. Not found in any of the sample.

Low Foreigness:
 No West German subsidiary influence.

 % of West German top managers imported to run the firm is below 25% of all top managers

Acculturation
A subjective classification based on the comments of interviewees

Integration
over 50% of the interviewees reported retention of original firm ulture and few power struggles with new owners

Assimulation
over 50% of the interviewees reported loss of old firm culture and imposition of new owners culture

Sub-divisions of Acculturation

Pluralism
over 50% of the interviewees stated their original culture still existed

Multiculturalism
Pluralism plus managers reporting that they valued the diversity

Melting Pot
Over 50% of the interviewees accepted the move to a new organisational structure and culture as inevitable

Pressure Cooker
over 50% of the interviewees said they were forced into a new organisational structure and culture

4.2 Data Analysis of Foreign Takeovers i. Non-West German Takeovers

Company A

Immediate Post-Takeover Phase:

. Also present was a West German consultant who gave technical advice using comparisons with similar West German operations. This phase was quite short (9-12 months) as new acquisition was immediately swamped with US/GB managers to obtain a starting management assessment language difficulties, cost and the quick realisation that the existing workforce was well educated and proficient led to the installation of a permanent American CEO (who did not speak German).

Company A

Consolidation Phase:

Although the workforce and organisation had been substantially reduced by the Treuhandanstalt before sale, further reorganisation was necessary. The multi-layered, non-functional organisation structure was severely delayered and standardised over all sites. All remaining management jobs were offered up for filling from within the existing workforce by ballot. The motivational effect of feeling part of the selection process was deemed high. An overarching theme (safety) was chosen so that everyone in the organisation could identify and agree on a common goal.

'First we shipped some over to America to see how the work was organised there, but also so they could go to shopping malls and see for themselves the future. Then we asked them to vote for new management within the new structure. They certainly had the feeling a new era had started and they could control part of it' Quote CEO Company A, interview 1.

Company B

Immediate Post-Takeover Period:

The Post-takeover period in company B lasted somewhat longer (9-12 months). A team of British managers ran the company but lack of German language capability, cost and once again the realisation that the workforce could cope led to a total British management withdrawal. The company was governed by a combination of old East German incumbents and new hire West/East Germans.

Company B

Consolidation Phase:

Market conditions turned extremely difficult and further redundancies over and above the THA restructuring were necessary. However, large investment was made in modernising at least one of the several production sites eventhough the competitive environment was causing losses. Workforce investment took the form of on-site English lessons, a vastly expanded internal communications system for introducing new techniques and getting across the market place problems.

'Its nothing to do with the company (B), its just the fact that the market has turned so bad and people are losing their jobs', Quote Herr R., interview 8.

Company C

Immediate Post-Takeover Period:

Company C differed from A and B as the THA were unable to reach agreement with the Swedish company interested in buying it. Consequently a new firm was founded and people were transferred over to this new entity once they had been terminated from the old Kombinat, which was wound up. The core of the new management (including the new CEO) and workforce came from the old organisation, however less than 10% of the original workers could be economically taken over. During this time the Swedes stationed a home company Deputy MD alongside the new CEO, who was the old Kombinat Director. Much training was given in Sweden to introduce new techniques and allow first hand experience of Western methods.

'Most of the impulse and suggestions came from Sweden at that time. My Swedish co-director, was a great support for me, a big help. We also had the opportunity to review the Swedish organisation structure, working conditions and work customs.' Quote CEO, Co. C, interview number 19.

Company C

Consolidation Phase:

The new company began to win contracts and prosper. The Deputy Swedish MD went back to Sweden and the firm continues on its successful way with a very high percentage of old Kombinat employees in all positions and no Swedish or West Germans present.

Hochhinauf - Müller, German Academic Publication

Immediate Post-Takeover Period:

The US influence was evident in the decision to continue on with the old East German management (including MD), eventhough the workforce had voted in the Betriebsrat for them to be replaced as they were all politically tainted.

Hochhinauf - Consolidation Phase:

The dominant West German subsidiary started to exercise its political weight especially after a decision was taken to move a whole production department over to Hochhinauf in the East. The management which moved with the department clashed with the established East German management philosophy and after a protracted period of pressure the West Germans gained the upper hand and introduced West German production norms and individual as opposed to mass production methods. However the US parent's influence did not completely disappear. Instead of wall posters emphasising brotherhood with the UdSSR, new posters appeared extolling the benefits of positive thinking (Dale Carnegie?) at the work bench. One such poster read:

'Vom Verlieren zum Gewinnen. Die Verierer sind immer Teil des Problems - die Gewinner sind immer Teil der Lösung' (Müller, 1994: 80). Which translates to:

'From loser to winner. The losers are always part of the problem - Winners are always part of the solution'.

Ex-employee Interviews

By the very fact that the employees had lost their jobs it could be expected that they would have less than a positive attitude to the foreign takeover firm. The views expressed were paradoxically the opposite. They were all surprised at the amount of latitude given to them by the new owners to act and take decisions alone. Additionally, the old management, and in many cases the old organisation structure, was left in place. The blame for their job losses was very realistically placed on market conditions. In many cases the purchaser had hoped to use the East German firm as a bridgehead to Eastern Europe and the GUS countries. The collapse of COMECON trade usually heralded the collapse of East German operations as the remaining export business could be more economically handled from other European locations or from the home base. It seems that although they misjudged the market possibilities, the non-West German purchasers were better at informing their employees about the market conditions. Additionally, several of the interviewees expressed their pleasure at being listened to and having the feeling that their experience counted in the new set up. The author was left with an unexpected feeling of goodwill, or more accurately understanding, towards the new owners, whereas one would expect the opposite.

'So they had a plant in the Netherlands and I often went there. As the Eastern European market collapsed, the old connections were not so important as they didn't bring in business. So the Dutch subsidiary started selling to what was left. It made sense, it was however our death knoll.' Quote Frau G., interview 26.

ii. West German Purchases

Plaschna Management KG

Immediate Post-takeover Period:

Key positions were immediately requisitioned by the West German management experts. Old East German managers were fired. A new business strategy was imported and imposed.

Consolidation Phase:

The market environment turned sour. The firm limped from crisis to crisis. Each crisis was accompanied by moving in a manager from the holding company to 'sort out' some problem area of operation.

New western managers were brought onto the board...VEM hired a new personnel director from Siemens...On several occasions, board members or KG professionals stepped in to manage parts of VEM'. Harvard Case Study: 14.

Albach Study

Immediate Post-takeover Period:

The firms are too diverse to determine common post-takeover strategies. However both prior to and after the takeovers, a substantial number of temporary visits took place. Here West German managers and technical experts visited the East German operation for a few days at a time introducing West German techniques and giving training on new equipment. Albach calls this process the network approach to integration.

Consolidation Phase:

Once again the twenty cases were not detailed enough and also too diverse to allow generalisations. However in most cases the West German managers were still holding down key positions well into this phase. Through the interaction of specialist networking and in situ West German managers, the new organisation structures were based on the trusted West German equivalents.

Ex-employee Interviews

In most cases the West German purchaser changed the management, by bringing

in West Germans to key functions and reorganising the structure to a standard German (West German) layout (Bischoff et al, 1993). The views expressed by

these interviewees towards the new purchaser were mixed. Many complained about the arrogant, telling not listening style of the new management. However it is only fair to say that at least two found their immediate supervisors relatively open to advice using their institutional knowledge. Interestingly one of these new supervisors was an East German escapee who volunteered to return after the fall of the Wall. Much mistrust was expressed about the perceived hidden agenda of the purchasers. In a high proportion of the cases, the East German operation was eventually closed and the whole of Germany was then serviced by the original West German operation. The underlying market factors that may have made this a rational decision did not seem to be communicated too well to the workforce. Consequently many of the ex-employees felt they had been used in a pawn in some colonisation game.

'..From one day to the next. We came back after the New Year break and our dismissals lay on the table. ...I've no idea of the reasons, you'd have to ask the publisher.' Quote Frau Schä, interview 21.

4.3 Overview of the Data

The results of the data analysis are shown here in Table 7 in summary form.

Table 7: Summary of Data

Source	Non West German owners	Foreigness	Acculturation	Sub-Division	New External Managers	Learning Organisation Preconditions
Company A	Yes (US)	High, no WG subsidiaries	Integration	Multi-cultural	CEO only	Yes
Company B	Yes (GB)	High, no WG subsidiaries	Integration	Pluralism	Very small number of West / East mgrs	Yes
Company C	Yes Sweden	High, no WG subsidiaries	Integration	Multi-cultural	At start one Swede. Now only East Germans	Yes
Hochhinauf	Yes (US)	Low to Medium. Has a Large WG subsidiary	Assimilation	Pressure Cooker	Several from West Germany especially in key areas	No
Ex-employees	Yes	?	?	?	Mainly old management with a few key foreigners	?
Plaschna Mgmt KG	No	N/A	Assimilation	Melting pot or pressure cooker	New West German mgrs in key areas	No
Albach 20 cases	No	N/A	Not known	Not Known	West Germans in key area + networking	?
Ex-employees	No	N/A	Mainly assimilation	?	West Germans in key areas	No

5. Conclusion

The analysis of the data seems to be surfacing a pattern which links the new ownership of East German privatisations to attitudes about cultural differences. The greater the foreigness of the purchaser, the more likely the belief amongst the acquirer and acquired that cultural differences were present and needed addressing. The methods employed in reducing the cultural differences had a beneficial spin off. The care and attention taken to achieve successful acculturation seems also to produce a more shared vision amongst the workforce. This phenomenon augers well for the future, as the workforce feels integrated with the firms goals and motivated to try and achieve them.

It does not therefore follow that foreign acquisitions lacking integration will of necessity be less successful. The direct, speedy seizing of control and the introduction of mainly West German standards and work practices means that these organisations were quick off the mark addressing the substantial productivity gap. The data hint, and no more, that the longer term success of these acquisitions may be hindered by the erroneous assumption of high cultural similarity. As already stated, the data cannot be used to generalise and therefore further research using representative samples is needed. Longitudinal studies from acquisition through into the new millennium would seem to offer a productive way forward, although long term studies are hardly available (exception being Frese/Hilligloh in Trommsdorf, 1994).

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