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One Out of Many? Boundary Negotiation and Identity Formation in Postmerger Integration

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This research investigates how boundaries are utilized during the postmerger integration process to influence the postmerger identity of the firm. We suggest that the boundaries that define the structures, practices, and values of firms prior to a merger become reinforced, contested, or revised in the integration process, thus shaping the firm identity that emerges. In a field study of a series of four sequential mergers, we find that the boundary negotiation process acts as an engine for identity creation in postmerger integration. Our analysis of the process through which postmerger identity is created reveals two stages of identity creation. In the first stage, boundaries are negotiated to leverage and import certain practices and values of the premerger firms; in the second stage, these boundaries are blurred as managers build on the set of imported practices and values to impose further systems that define the postintegration firm. Our research contributes to the identity literature by drawing attention to the important role of boundaries and practices that define the identities of the merging firms. We show how these boundaries get repurposed to create an organization whose identity ultimately represents a departure from the premerger firms while it preserves the aspects of identity that allow members to uphold key values. We also contribute to the literature on postmerger integration by demonstrating the steps through which identity evolves by the staged demarcation and negotiation of boundaries, thus complementing previous treatments of merging firms as a set of fixed organizational attributes in merger contexts.

Key words: identity; boundaries; integration; mergers and acquisitions
History: Published online in *Articles in Advance* February 28, 2013.

Introduction

There are few events in organizational life more dramatic than mergers and acquisitions (M&As) in their impact on a wide range of individual, group, and organizational processes. At their core, M&As represent the joining of groups, practices, and identities to create an integrated firm. Research assessing the impact of the differences between merging firms has shed helpful light on the central role of culture in the success or failure of M&As and tends to focus on the clash of identities that accompanies mergers, treating firms as more or less stable entities (e.g., Buono et al. 1985, Cartwright and Cooper 1996, Stahl and Voigt 2008).

A critical aspect of the M&A process is the effective integration of merging firms into a viable firm. This process occurs against the backdrop of pressures from members to resist or acquiesce to integration. Social identity theorists note that members of premerger firms attempt to maintain a positive social identity that fits their subjective belief structures (Hogg and Terry 2000). This work suggests that members who believe that their firm is the lower-status player in a merger and that this position is legitimate are more likely to support the merger and identify with the merged firm. In contrast, members who believe that their firm is the higher-status player could fear their position is in jeopardy and respond less favorably to the merger. In either case, members of merging firms must negotiate changes in their understanding of the identity of their legacy firms, or the shared and collective sense of "who we are" as an organization, and the new entity of which they are a part. The integration process thus provides a mix of identity threats and opportunities for members of premerger firms (e.g., Ashforth and Mael 1989, Corley and Gioia 2004, Hornsey 2008).

At the same time, scholars have noted the contextual forces that shape how identities evolve in postmerger integration through accommodation, negotiation, and contestation between members of the premerger firms. This perspective treats merged firms as the historical context for the emergence of postmerger identity. More than perspectives based on the dominance and status of merging firms, this approach is sensitive to context and temporality and assumes that the processes that give rise to the new identity of the merged firm are a function of the contextual forces in play as the merger unfolds

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(e.g., Clark et al. 2010, Langley et al. 2012, Riad 2005, Ullrich et al. 2005, Vaara et al. 2012, Vaara and Tienari 2011, van Knippenberg et al. 2002).

A social identity perspective on mergers offers a helpful window into the individual dynamics that give rise to the acceptance of or resistance to the merger process, whereas a contextual perspective attends to the impact of the factors that shape the merger over a series of stages. The current study attempts to bridge these perspectives by theoretically and empirically integrating them to examine how the boundaries that define the features of integration evolve in postmerger integration. We define boundaries, following Hernes (2004), as the physical, social, and cognitive distinctions made between and within firms to define their identities. These boundaries can be reconstructed by members to reshape firm identity (Ashforth et al. 2000). Our definition refers to a variety of organizational features and processes such as practices, values, structures, events, and actions that evolve during postmerger integration and shape the new identity. We assume that any merger process is shaped by the motives and actions of the parties to the merger, as well as by the contextual forces that gave rise to the merger in the first place.

Realigning or adapting firm identity in postmerger integration is crucial for merger success. Scholars suggest that identity integration across firm boundaries follows intentional integration strategies (Larsson and Finkelstein 1999; Haspeslagh and Jemison 1991; Nahavandi and Malekzadeh 1988, 1993) and is harmed by clashes between firm cultures (e.g., Buono and Bowditch 1989). Thus, effective postmerger integration implies consensus on the postmerger firm identity, yet this identity can be highly contested during integration. Considering both perspectives provides an opportunity to analyze postmerger integration processes while focusing on how boundaries are negotiated in the emergence of a new postmerger identity. Our focus allows us to identify two key stages in postmerger integration. In the first stage, we observe the use of legacy firm boundaries in informing the new boundaries that define firm practices and values following the merger. In the second stage, the streamlined practices, values, and structures that result from the bottom-up negotiation of boundaries become the building blocks that managers work with as they continue to forge the identity of the new firm, informing the vision and strategy that define the future of the firm.

Building on the idea that during postmerger integration the creation of a unified identity facilitates shared values and meaning, thus boosting identification with the new firm, this paper explores the existence and dynamics of boundaries as one mechanism through which the identity of the merged firm emerges. Prior research on social identity processes in mergers suggests that *both* higher- and lower-status parties may resist or embrace the merging of their firms (e.g., Hogg and Terry 2001), indicating that the identity dynamics are more complex than prior theory suggests. This, combined with the common practice of retaining various identity elements of legacy firms following mergers, suggests a complicated process through which the emerging identity of the new firm is negotiated. Our paper shifts the focus from whether members embrace or resist a unified identity and instead uses a process approach to investigate how and why aspects of premerger identities maintain their hold within merged firms. Specifically, we employ a field study of serial acquisitions in which the boundaries of several firms play a crucial role in shaping the new firm identity to investigate how the negotiation of boundaries enables members to apply and modify premerger firm identities to create a new identity (Zaheer et al. 2003). The study is based on over two years of field research at Miracle,[1] a leading Israeli information technology (IT) firm created out of sequential acquisitions.

Boundaries and Identity in M&As

Scholars have advanced various perspectives on the ways firms employ and manage their boundaries, providing different understandings of how boundaries affect organizational change (Heracleous 2004, Marchington et al. 2004). Contingency theory, for example, views boundaries as buffers that guard the firm's technical core from external environmental forces (Thompson 1967/2003). In his analysis of organizations as open systems, Scott (1995) contends that boundary-spanning mechanisms (mergers, monopolies, and outsourcing) allow organizations to change and regulate internal and external boundaries. Scott (2004, p. 10) also outlines other boundary-shaping factors, including "actors (distinctive roles, membership criteria, identity), relations (interaction frequency, communication patterns, networks), activities (tasks, routines, talk), and normative and legal criteria (ownership, contracts, legitimate authority)." Others stress the dynamic processes that inform the nature of intra- and interorganizational boundaries (Aldrich and Ruef 2006).

Past research treats boundaries as social formations, negotiated to allow firm members to construct various features such as domains, activities (Thompson 1967/2003), and symbols (Lamont and Molnar 2002), which together "protect a system from environmental disruptions, and (reflect) frontiers where the system acquires resources critical for its survival" (Yan and Louis 1999, p. 25). Hernes (2004) examines boundaries from several dimensions and offered a framework for understanding boundaries based on their mental, social, and physical dimensions, which have three characteristics: ordering (how boundaries regulate internal interaction), distinction (between "us" and "others"), and threshold (the initial social and symbolic characteristics of individuals or groups). Kellogg et al. (2006) demonstrate how different communities in organizations

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perform boundary-spanning coordination practices that transcend confrontation in favor of adaptation.

Although past research has emphasized the functional aspect of boundaries in establishing "coherence between the identity of the organization and its activities" (Santos and Eisenhardt 2005, p. 500), in ambiguous situations such as postmerger integration, the enactment of boundaries may serve to threaten this coherence. Research on symbolic boundaries as enactment processes has emphasized divisions between "us" and "them" (Lamont 2000, Vallas 2001). Accordingly, boundaries in M&As may limit the very essence of integration, which aims to create inclusive boundaries (Haspeslagh and Jemison 1991). The enactment of boundaries during postmerger integration may well force managers to confront situations in which members cling to the familiarity of premerger identities and cultures.

We define an organization's identity as members' understanding of the shared values and norms that are central and distinctive to the organization (Albert and Whetten 1985, Dutton and Dukerich 1991). Values, in this context, refer to the beliefs of members about what is important to the organization (Schein 1985), constituting an internal guide for behavior and a set of prescriptions for the organization. Organizational boundaries are thus relevant to both organizational identity and values because they demarcate the physical, social, and cognitive features of organizations that are inputs to the essence of an organization's identity. Boundaries embody identity and shape the way managers understand their organizations to be distinct and unique in relation to others (O'Byrne 2008, Santos and Eisenhardt 2005). Such an assertion implies both positive and negative effects. The positive implication is that a coherent identity, associated with shared beliefs, norms, and values, can enhance strategic consistency and consequently increase performance (Ashforth and Mael 1989). The negative implication is that this coherence and consistency can feed managerial inertia (Sørensen 2002, Walsh 1995). In particular, during integration, conflicts may contribute to the creation of an identity that is marked by divisions between "us" and "them" (Vaara et al. 2012) or the loss of identity of one party to the merger (van Knippenberg and van Leeuwen 2001).

A Social Identity Lens on Integration

The potential clash of firms working to protect their identities, and by extension, their boundaries, poses a major challenge that could harm the integration process. In this vein, Hogg and Terry (2001) contend that social identity theory predicts that successful mergers depend on members' beliefs about the nature of the relationship between the merging firms. These beliefs mainly concern the stability and legitimacy of intergroup relations. For example, Hogg and Terry (2000, p. 134) hypothesize that "lower-status merger partners will respond favorably to a merger, if they believe their status is legitimate and that the boundary between the premerger partners is permeable, and unfavorably, if they believe their status is illegitimate and boundaries are impermeable." In contrast, they assert that members of higher-status firms respond negatively to permeable boundaries, which pose a threat to their premerger status as the dominant player. Merging firms are highly sensitive to their ability to gain status and footing, and they will protect their identities when threatened with a loss of status.

Viewed through a social identity lens, the incorporation of premerger identity attributes into the new firm is helpful for facilitating the categorization of "ingroups" and "outgroups" (Tajfel 1981). Focusing on boundaries enables us to examine how members reconfigure multiple boundaries for the purpose of negotiating and incorporating legacy identity attributes, processes that may transcend competition and encompass conflict, ambiguity, or shock stemming from the merger (Buono and Bowditch 1989, Cartwright and Cooper 1996; see Gioia et al. 2000, 2010). Furthermore, successfully incorporating premerger identities that embody members' sense of meaning supports a sense of continuity (Bartels et al. 2006, van Leeuwen et al. 2003). Members who identify with their premerger firm may accept integration if they perceive premerger identity continuity in the new firm.

A Contextual Lens on Integration

Recent studies (Clark et al. 2010; Langley et al. 2012; Maguire and Phillips 2008; Puranam et al. 2006; Ranft 2006; Ranft and Lord 2002; Riad 2005, 2007; Ullrich et al. 2005; Vaara 2001, 2003; Vaara and Tienari 2011) reveal a great deal about the context in which identity is created and institutionalized in mergers. For example, in their study of top management teams in healthcare firms pursuing mergers, Clark et al. (2010) contend that forming an integrated firm involves the creation of transitional identity, which allows for multiple interpretations of the nature of the merged firm. Vaara and Tienari (2011) use the merger of financial services firms to highlight the intentional storytelling by different actors in the merger, each constructing their own firm identity through dialogical narrative that provided context for both legitimacy and resistance to the merger. Vaara (2003), using a sensemaking perspective to study the merger of furniture firms, notes four factors that stem from the process of decision making to shape identity: ambiguity concerning the roles of the different units, cultural confusion and misunderstandings that plague postmerger integration, hypocrisy in decision making, and politicization of integration issues. He attributes the propensity for integration issues to get "lost" in merger processes to hypocrisy and political conflicts over various integration issues. Viewing postmerger integration

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failures through a sociopolitical lens, Vaara (2001) further claims that the identities of different actors instigate political tensions and conflicts. In the same vein, the examination by Ullrich et al. (2005) of an industrial merger highlights the costs of failing to achieve a sense of continuity during integration, thus creating tension and eroding a clear firm identity.

Beyond the dynamics of creation and continuity, researchers subscribing to a contextual lens on identity note that identity content itself is crucial to merger outcomes. For example, the creation of an ambiguous identity fed a decline in trust among employees in Maguire and Phillips' (2008) study of the merger of two financial services firms. Focusing on mergers in the health-care sector, Langley et al. (2012) identify patterns of identity work managers used to achieve convergence across groups of employees to neutralize identity differences that could derail the integration. Riad (2005, 2007) notes that processes of negotiation and contestation allow members of merged firms to weight different truths about the merger and its implications. The variety of practices used during integration provides members with a diverse repertoire from which to create a broad common denominator to form a new identity. However, such "strategies of action" (Swidler 1986, p. 273) may not create an identity that supports integration. For example, mergers pursued to obtain firm practices and explicit and tacit knowledge (Ranft 2006) may require a high degree of integration (Puranam et al. 2006). But such integration may result in the loss of valued knowledge and capabilities through employee turnover and disruption of firm routines (Ranft and Lord 2002). To overcome identity threats, premerger firms may need to reinforce characteristics that support integration and abandon those that do not.

Bridging Lenses on Identity

Whereas a social identity lens on postmerger integration focuses on members' motivations to resist or embrace the merger, a contextual lens focuses on the actions, practices, and strategies that shape firm identity. Bridging both lenses allows us to explore how strategies of action that respond to members' desires to retain aspects of their legacy firm identities while building on these legacies to create a viable postmerger identity unfold in a merger. Our perspective is consistent with that of Gioia et al. (2000), who challenge the notion that organizational identity is stable and enduring. They suggest that though it may appear stable, in reality the meaning of identity is constantly changing. Vaara (2003) advocates for embracing the pluralism and ambiguity embedded in the postmerger integration process. Even during early stages of integration, identity is not a monolithic construct that defines the firm and its members, legitimizing its existence and making it distinct from other firms (Albert and Whetten 1985). On the contrary, identity reflects preferences of the premerger firms and their core values. We claim that the new identity created during the integration process is both contested and negotiated. The formative period of postmerger integration is an unsettled period (Swidler 1986), a theatre for identity claims that are manifested in firm values, practices, and strategy. Thus, organizational identity in M&As is closely associated with the work of merged firms to construct coherent meanings and a connection to the new, integrated entity (Elsbach 1999).

To understand identity creation at Miracle, we draw on a cultural theory of action (Swidler 1986, 2001) and take an "action" approach to the conceptualization of identity creation. We consider social actors to be knowledgeable agents who pursue a strategy of forming a new identity within a changing and dynamic context. In the process of identity formation, members strive to protect the firm identity by referring to their premerger identities (Drori et al. 2011). But this identity is likely to be altered and made more complex by politics and internal power struggles during the integration process (Vaara 2001). Thus, following Swidler's (2001, p. 23) claim that "[t]here are not simply different cultures: there are different ways of mobilizing and using culture, different ways of linking culture to action," we contend that identity work has different meanings and consequences for different actors and firm contexts. Identity creation involves the selection and application of strategies that reflect actors' use of a cultural-symbolic repertoire to demarcate premerger identities according to their perceptions of the objectives of the merged firm (Drori et al. 2011).

Analyzing boundaries can help highlight how members of premerger firms restructure these boundaries to impose, resist, endorse, and alter aspects of identity and manipulate their content and values through reshaping their self-categorization. For example, using bureaucratic practices that reflect one premerger firm while also encouraging improvisation can allow operational flexibility in the merged firm, but it can also damage attempts to create shared beliefs, resulting in a contested identity. Research suggests that forced abandonment of a target group's premerger identity may lead to feelings of threat, resistance, hostility, or apathy toward the acquirer (van Leeuwen et al. 2003). Conversely, scholars have described mechanisms that can smooth outcomes, including preserving premerger identities (Larsson and Lubatkin 2001) while seeking fit between (Cartwright and Cooper 1996, Larsson and Finkelstein 1999) and drawing attention to the compatibility of the merged firms (Larsson and Finkelstein 1999; Nahavandi and Malekzadeh 1988, 1993).

In the case of sequential mergers, inertial tendencies of identity and motives to protect the identities of the merged firms may result in a demarcation between the firms as they work to preserve their own values and

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practices, resulting in competition among firm identities during integration (Gioia et al. 2010, Ullrich et al. 2005, Vaara et al. 2012). However, researchers have suggested that even disparate premerger identities may work well together during the integration process, with members ultimately accepting the dominant paradigms of the merged firm (Larsson and Finkelstein 1999, Morosini et al. 1998). In the initial postmerger period, a transitional identity is instrumental in implementing further integration because it is flexible enough to allow for multiple interpretations, enabling members to cling to legacy identities and the new firm identity (Clark et al. 2010).

To date, research has not examined how the definition of boundaries by premerger firms during the integration period influences the new firm's identity. Mergers and acquisitions reflect a unique situation in which members of different firms strive to give meaning to a new organizational reality. We address the process of forming a postmerger identity by analyzing the manifestation, content, and use of boundaries as they are contested and accepted by members, managers, and the firm itself. This analysis yields a two-stage model of identity creation. In the first stage, boundaries are negotiated to leverage certain practices and values of premerger firms; in the second stage, these boundaries are blurred as managers build on imported practices and values to impose further systems that define postintegration firm identity. We examine how members use boundaries to maintain and construct identities during the first stage of integration, and we show how managers use these boundaries to create new ones that define the future of the firm. To do so, we conducted an in-depth field study of Miracle, an IT firm created from a sequence of four domestic acquisitions.

The Research Setting

Our study is based on ethnographic field research (Meglio and Risberg 2010) conducted at Miracle, a prominent NASDAQ-listed, Israel-based global information technology firm specializing in outsourced systems integration and application development, software and consulting, quality assurance, and training. With 7,500 employees, Miracle operates in 16 countries across North America, Europe, and Asia Pacific, and it maintains over 100 global alliances and partnerships. Miracle's market consists of several industries, notably government and defense, financial services, life sciences and healthcare, telecommunications, utilities, and independent software vendors.

Miracle came into being in several stages. In 1998–1999, a group of U.S. institutional investors, led by an American businessperson with family and business ties to Israel, acquired four Israeli IT software firms: first Venus, then, consecutively, Pluto, Mars, and Jupiter (see Table 1). At first, the acquired firms continued to operate independently. In mid-1999, when Jupiter was acquired, the owner decided to merge all four firms. The merger was announced in 2000.

The integration was planned by a task force consisting of the top management teams of the acquired firms and an external consulting firm. Our analysis of postmerger documents and interviews with task-force members indicated that management planned to allow the acquired firms to remain autonomous until all of the acquisitions were made, at which time they would be fully merged. "We decided that we won't waste our resources and effort on integration in stages," the head of the task force explained in 2004. "We have a work plan, and with the acquisition of [Mars] and [Jupiter] [the final acquisitions], we realized that we have enough firepower to become a meaningful actor. So we merged them all, with an idea that the whole is stronger than the parts." The task force recommended appointing Jupiter's chief executive officer (CEO) as CEO of Miracle, because he was the most experienced manager of the largest acquired firm. However, the board of directors chose an external candidate experienced with initial public offerings; the board viewed the appointment as a signal to the market that Miracle was serious in its aim to become a global firm (interview with board member). The CEOs of Jupiter and Mars left, as did scores of senior managers at each of the acquired firms.

Table 1 Basic Characteristics of the Acquired Firms

	Year of founding	Year of acquisition	Origin of firm	Areas of IT specialization	Market	No. of employees at acquisition
Mars	1972	1999	Spin-off of business group	ERP, real-time systems, outsourcing	Mainly public sector	320
Jupiter	1969	1999	Spin-off of business group	Software development, SAP and ERP projects	Mainly defense	700
Venus	1992	1998	Merger of five IT firms	Integration and outsourcing services	Private and public sectors	420
Pluto	1993	1998	International group that had merged six IT firms	Implementation of large IT projects	Mainly institutional	330

Note. SAP, Systems, Applications, and Products in data processing.

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The process of postmerger integration took the following form. First, the task force decided on a new structure consisting of a headquarters and four divisions organized by IT specialty: a Managed Services division that provided outsourcing and consulting services for intranet and Internet systems, including information security, a help desk, messaging, systems integration, training, and consulting; an Information Technology division that specialized in customer relationship management and enterprise resource planning (ERP) applications; a Telecom division that provided turnkey services for telecommunication systems, geographic information systems, and air traffic control systems as well as control and monitoring systems for call centers and transportation fleets; and an International division that was responsible for supporting and developing international activities. Adoption of a divisional structure was followed by a consolidation of the support functions (such as finance, human resources (HR), procurement, and IT) at headquarters and alignment of the information systems of each firm. Next, standard operating procedures were adopted by the divisions. For example, each sale or project involved both a salesperson and a support specialist. According to a member of the task force, the guiding principle was that "each functional unit or business activity which joined a certain business group had to struggle with the new rules, practices, and routines imposed by the [headquarters] group." Integration also involved changing the firms' names, aligning employee stock options, creating a single bank account, implementing common quality control standards (e.g., ISO), and producing new marketing materials.

For six months, until Miracle moved to a new location that could accommodate the entire firm, the shift to a divisional structure was achieved through an ERP system. Thus the new structure was mostly virtual, and the firms continued their activities separately. The official end of the postmerger integration period was the so-called "Clinton Event" in April 2001, when former U.S. president Bill Clinton gave a speech to employees to mark the occasion of Miracle becoming a fully merged firm. Afterward, Miracle continued integrating its logistical, financial, and business activities by conducting employee workshops to further articulate Miracle's values and mission.

Data and Methods

Data were collected through participant observation, interviews, and analysis of archival documents. Most fieldwork was conducted between November 2003 and July 2004, but some data collection continued until 2006. At the time of our fieldwork, the premerger identities were still in evidence, and participant accounts associated with these identities were vivid. The organizational memories of the acquired firms were captured via members' retrospective accounts of the ways things were done during the premerger period. We were acutely aware that retrospective accounts of this period might take the form of selective reminiscence about an ideal ("the good old days") or less-than-ideal past. Such accounts reflect the recall bias (Baron et al. 1996) inherent in conveying past events and may superimpose the present on the past. Although we cannot guarantee an absence of retrospective bias in our data, others have established the validity of using retrospective data to study organizational identity, both generally and specifically in M&As (Weber et al. 1996; see also Baron and Hannan 2005, Hannan et al. 2006). Thus, we are aware that such accounts may be influenced by an informant's current position and perceived organizational status, which is rooted in past affiliation and subsequent experiences. During data collection, however, we noted striking consistencies between informants' descriptions of the cultural values and practices of their respective premerger firms. Our examination of Miracle's postmerger integration and interpretation of the dimensions and functioning of boundaries in the integration process draw on careful data categorization and analysis.

Data Collection

Participant Observation. We gathered participant observation data by taking part in Miracle's ordinary activities and routines as well as in professional and social events (Meglio and Risberg 2010). This strategy enabled us to learn about Miracle from the inside. We pursued an emic research strategy (Headland et al. 1990) focusing on how Miracle's employees defined, interpreted, and enacted their boundaries (Lamont and Molnar 2002). Participant observation was conducted mainly by a member of the research team, a graduate student who at the time was an HR manager of the Miracle business unit responsible for training. The manager joined Miracle following the merger. Having an organizational insider on our research team (Adler and Adler 1987) allowed us access to knowledgeable actors and sensitive documents, and it enhanced our understanding of Miracle by providing us with nuanced descriptions of events at Miracle.

Generating data through ethnographic methods implies a process of stringent self-criticism and constant reexamination of the interrelationships with and between informants, especially because informants would want to know in which capacity—researcher or insider—a question was being asked. We utilized a method by which the second researcher took a more detached and critical view of the data, looking for biases stemming from the first researcher's dual roles and deep involvement with Miracle (e.g., Gioia and Chittipeddi 1991). However, these extra efforts allowed us to conduct long-term, in-depth fieldwork that yielded a wealth of data, and through the researcher's full immersion in the firm, we

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gained intimate knowledge of Miracle's postintegration processes.

Recognizing the potential bias in data collection resulting from our arrangement, we solicited our interviewees' opinions about an employee participating in a study of the firm. Of our 41 key informants, 37 perceived no problem, whereas the other 4 stated that their colleague's participation was an advantage because an internal person on the research team could act as a kind of steward of the firm's interests. The dominant sentiment was summarized by a manager: "First, we have nothing to hide; second, we trust her; third, we feel that it is important also to us to understand ourselves." Our key informants' answers to our questions "Do you think that [name]'s research is appropriate?" and "What are your feelings about it?" may have reflected social desirability pressures. But given the frankness we encountered during our field research and interviews, we feel relatively confident that participants did not experience pressure to endorse the participant observation strategy.

We were well aware of the potential biases that could stem from an employee's participation in a study of her own firm. To reduce the risk of such biases, a second member of the research team met with the participant-observer weekly to discuss the process of the fieldwork. Time was regularly devoted to discussing methodological dilemmas associated with drafting a memo on each interview or event. We established a procedure whereby the second researcher interpreted the text of the interview while the participant observer provided her separate interpretation, drawing on her knowledge of the firm. In this way we could refer to two different memos on each data point in our analysis.

Both content and methodological issues were discussed at weekly meetings. Early in the fieldwork, for example, we selected key informants from the senior and middle manager ranks of each of the merged firms ($n = 12$) to help verify facts and check interpretations as we coded our data. We consulted these informants when we needed to shed additional light on conflicting versions of an issue or event. Strong consistencies between the participant observation data and the interview data indicate that the former were unlikely to have been tainted by the involvement of the HR manager/researcher.

We continuously reviewed and analyzed our data and procedures during the fieldwork. We paid close attention to events that bore evidence of a biased insider's point of view. For example, the research team discussed an area manager's admission of problems with generating recurrent sales of project management tools. The participant-observer noted that the area manager's engineering background made her insufficiently attentive to client needs. Further discussion with key informants revealed that it was more likely the slow response of the support team (not under the area manager's authority) that soured clients on the product. We regularly checked our participant-observer's interpretations with key informants. In nearly every case, their interpretation of events matched.

Interviews. We conducted a total of 41 semistructured interviews with Miracle managers, 9 of whom had been hired during the postmerger integration period (see Table 2). The other interviewees held managerial positions at both their prior firms and Miracle.

We selected interviewees on the basis of their functional and managerial roles, their firm of origin, and the year they joined. As Table 2 shows, 8 of our 41 interviewees were from top management, and the rest were middle managers. We chose the sample using three criteria. First, we selected managers known to be knowledgeable

Table 2 List of Interviewees

Job title at Miracle	Premerger affiliation	Year joined premerger firm
COO	Mars	1969
Division manager, IT and logistics	Mars	1978
Division manager	Mars	1980
Division manager	Mars	1981
Area manager	Mars	1981
Area manager	Mars	1993
Area manager	Mars	1980
Area manager, headquarters	Mars	1981
Presale manager	Mars	1990
Presale manager	Mars	1993
Administrative manager	Mars	1983
Logistic manager	Mars	1995
Division manager	Jupiter	1986
Area manager	Jupiter	1991
Area manager	Jupiter	1993
Quality assurance manager	Jupiter	1993
Senior programmer	Jupiter	1992
Area manager	Jupiter	1995
HR manager	Venus	1994
Division manager	Venus	1995
Division manager	Venus	1993
Project manager	Venus	1997
Area manager	Venus	1994
Area manager, finance	Venus	1997
Area manager	Venus	1997
Director	Venus	1993
Division manager	Pluto	1994
Area manager	Pluto	1993
MARCOM manager	Pluto	1997
Area manager, marketing	Pluto	1996
Senior project manager	Pluto	1995
Area manager	Pluto	1997
Programmer	None	2000
Support manager	None	2000
Sales manager	None	2000
Project manager	None	2001
HR personnel manager	None	2001
Area manager	None	2002
Marketing team leader	None	2002
Project manager	None	2002
HR personnel manager	None	2003

Note. MARCOM, marketing communications.

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about the history of each of the firms, according to the former CEOs of the acquired firms.[2] Second, we chose managers who were responsible for assigning roles and tasks during the implementation of the postmerger integration plan in 2000–2001. Third, we selected managers recommended by key informants as especially knowledgeable and who were directly involved in building new practices at Miracle, such as sales and support managers.

Interviews averaged 90 minutes in length and were taped and transcribed. The interviews were conducted in Hebrew and translated to English by a professional translator. The first author reviewed and verified the accuracy of the translations. We conducted additional interviews with nine interviewees in 2005 to acquire missing information and resolve ambiguities. Our interview protocol consisted of open-ended questions with requests for clarification of specific events, processes, and decisions. We focused on themes related to our research question—specifically, how employees of premerger firms experienced the reshaping of identity during postmerger integration.

We focused the interview on basic issues, such as respondents' work practices and roles at their premerger firms; their activities and roles during the merger itself and the postmerger integration; their interpretation of management's actions; their perceptions of the merger and integration, such as premerger core firm values compared to the values stressed by management after the merger; and the state of work relations and practices before and after the merger. We also asked for interviewees' stories about their work and how their firm differed from the others; their views on key issues, including practices, priorities, technology, project work, and authority; and their assessments of their premerger firms' cultures and identities. Our interviews with the nine participants who had joined Miracle after the merger concentrated on their experience at Miracle.

Documentation. We collected archival data from the years 2000–2005, including documents and minutes of meetings about the merger, as well as various pamphlets, public relations memos, and firm profiles. We created a file of all newspaper coverage of Miracle in the period 2000–2005. We had access to internal reports describing firm vision and M&A strategy. We did not have access to comparable documents from the acquired firms, but we gathered information about them from Internet and newspaper coverage. Thus, the firms have been chronicled mainly via interviewee narratives.

Data Analysis

Our data analysis followed the inductive methodology recommended for case studies (Eisenhardt 1989, Eisenhardt and Graebner 2007, Yin 1984). Data consisted of participant observation, interviews, and documents and included interview transcripts and fieldwork notes. Our objective was to create a conceptual framework to understand how and why members of a merged firm might be motivated to draw boundaries. Although the current case has unique characteristics, it illuminates the general importance of boundaries and identity in M&As. In this vein, grounding the research in its context enables theory elaboration (Suddaby 2006). Thus, our study is not intended to generalize to every case. Instead, the data enable us to develop and articulate our boundary approach, which contributes to understanding how premerger identity informs the reshaping of identity during integration. Our treatment of identity in M&As draws on the notion of boundaries as a differentiating mechanism between groups in which each views the merger in terms of its own (ingroup) attributes vis-à-vis those of the others (outgroups) (Hogg and Terry 2001, Stahl and Voigt 2008).

Our data categorization process followed practices recommended by the grounded-theory method (Locke 2001, Strauss and Corbin 1990). In forming code categories, we focused on accounts of events and actions that generated conceptual distinctions "made by social actors to categorize objects, people, practices and even time and space" (Lamont and Molnar 2002, p. 168; see also Lamont 2000; Vallas 2001). We triangulated the different sources of data (participant observation, interviews, archival documents), working through each data source with the code categories that were emerging. This helped us to relate categories to one another and to develop the core categories of each premerger firm (Locke 2001, Miles and Huberman 1994). During this phase of coding, we used the memos written during data collection to extract conceptual meaning from interview excerpts. All coding was performed independently by the first author; the other authors then coded all excerpts independently. Disagreements on the coding of a passage or code definitions were resolved through consultation. The process of categorization benefited from ongoing discussion and deliberation (Denzin and Lincoln 2000, Miles and Huberman 1994). As a diverse and multidisciplinary research group, we concluded that the best way to achieve reliability in our categorization would be to conduct independent categorization and subsequent comparisons and to seek feedback from our key informants. These processes render external verification of the categorization system redundant. Nevertheless, we consulted knowledgeable colleagues on our integrative conceptual framework.

The next stage of data analysis involved clustering the primary coding categories into a final scheme reflecting more general constructs associated with the enactment of boundaries, including narratives and practices. First, we identified additional themes that were related to categories that reflected the values and practices of each premerger firm. These themes helped further clarify the nature of the firms' boundaries and served as a

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kind of typology, helping us to make inferences about how each firm invoked its identity of "us" versus "them" (Vaara 2003).

Finally, we repeated this process for Miracle by going back and forth between the preliminary data and categories, reviewing memos, and engaging in the iterations of data coding described above. We generated code categories for Miracle using the categories extracted from the premerger firm data as a benchmark. We then developed a conceptual framework to interpret the relationship between representations of boundaries that were endorsed or resented within the new identity at Miracle. We shared our framework with colleagues and key informants at Miracle, whose comments and criticisms refined our interpretations and contributed to our conceptual framework (Locke 2001).

Findings

We present our findings in two sections, beginning with our analysis of the attributes of the four firms that merged to create Miracle. We present key attributes of the practices, structure, and operation of each firm. We describe the distinctive cultural attributes that reflect the identity of each firm, paying close attention to each firm's approach to commitment and participation, which emerged as important themes. In the second section, we present findings related to how boundaries were reinforced, challenged, or changed during the postmerger integration period as members worked to establish the identity of Miracle. We describe patterns in whether and how boundaries were contested and accepted by members during postmerger integration. This process revealed two stages of identity creation: in the first stage, boundaries were negotiated to leverage and import practices and values of the premerger firms, and in the second stage, these boundaries were blurred as managers built on the set of imported practices and values to create a new firm identity during the postintegration period.

Historical Reconstruction of the Premerger Firms

Mars and Jupiter. As sister firms, Mars and Jupiter (M&J) were parts of a leading Israeli electronic concern owned by a business group. The two firms competed in the IT software development industry while cooperating on several joint projects. Consequently, employees of both firms were exposed to and influenced by each other's managerial and operational practices. Exchange was furthered by a regular flow of managers back and forth, facilitating the spread of firm characteristics. Despite this cooperation, Mars and Jupiter competed for market share. Their main difference was the scope and type of projects in which each specialized: Mars focused on large-scale holistic IT solutions, whereas Jupiter was a more specialized research and development (R&D)-oriented firm.

Having adopted a new business strategy in the face of financial difficulty, the business group that owned M&J decided to sell firms incongruent with the new strategy. According to M&J informants, the two firms shared many features, including work systems, structure, and culture. The informants differed, however, in their accounts of what it meant to belong to specialized professional groups in the two firms. Former Mars employees reported homogeneous characteristics between units, regardless of function, whereas Jupiter employees described sharp differences between R&D-oriented units and the IT unit, which was more sales and support oriented. Because our archival and interview data indicate several strong similarities between the two firms, we present them together here.

Organizational structures: Both M&J had divisional structures based on products or services and characterized by three management tiers: general managers, division managers, and area managers. Managerial and employee turnover was low: 3% at both firms. During the merger, most employees were males in their late 30s or older. M&J employed similar work processes: managers indicated that decision making was bureaucratic, centralized, secretive, and followed standard operating procedures, but was, at the same time, informal. Management had an open-door policy for employee ideas and grievances but insisted on formal reporting on business meetings outside M&J and approval of minor expenses. According to our informants, executives oversaw everything from HR to sales and operations. Neither firm had professional managers for these functions; the top management did it all.

Low management turnover and the technological orientation of M&J employees made it uncommon for employees to aspire to promotions to management. Both were publicly traded firms, owned by a leading Israeli business group, in which employees enjoyed generous benefits, including tenure, which was seen as part of both firms' fundamental ethos. Favorable collective agreements protected employee rights and tied compensation to seniority. Thus, incentives to remain at M&J were strong. For employees, the firms' conservative practices meant following standardized operating procedures and staying put in a static structure with stable terms of employment—an arrangement that appears to have been necessary given the nature of M&J's business environment. M&J employees attributed the firms' relatively secure market position to their professional expertise and reputation; both firms participated in joint ventures with high-profile international partners. Markets and customers were taken for granted and not considered to be the drivers of the technologically based project work. "We didn't count the customer; we didn't bother to dirty our hands, so to speak, with the customer," one Mars project manager admitted. "The product spoke for itself."

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Values and practices: Despite M&J's divisional structures and concentrated managerial authority, informality governed the sharing of technological expertise. This could be explained by normative control, which reinforced a dual ethos: well-defined routines and practices through which members promoted egalitarian and cooperative values (e.g., Kunda 1992). Informants described informal one-on-one consultations with knowledgeable colleagues, cross-departmental meetings, and brainstorming sessions as common practice in which management and employees participated, regardless of formal status. As Narkis, a programming team lead put it, "It was not rare to see Yitzhak [Mars's CEO], who was a renowned computer engineer, leaving his office and becoming a simple member of my team, delving into technical issues." Table 3 shows representative quotes from the interview transcripts drawn from the analytical categories associated with boundaries at Mars and Jupiter.

M&J specialized in IT and related projects for the defense industry, work that entailed meticulous planning, accurate implementation, and close monitoring of standards and procedures. Furthermore, the military-industrial complex values discretion, and both firms downplayed their successes. "We as an organization were reluctant to 'blow the trumpets' in successful deals or projects," said Gary, a division manager at Jupiter. "Also, when somebody did a very serious and successful project, he or she was being praised and rewarded quietly, with no big fuss about it." Nor did either firm promote status symbols, such as assigned parking spaces and executive dining rooms. Several Mars employees mentioned that managers who visited New York on business never stayed in hotels, opting instead for the home of a local manager.

M&J managers sought to maintain the success of their firms by blurring boundaries between the social and work domains to exact high commitment. Social

Table 3 Analytical Categories for Mars and Jupiter Prior to Merger into Miracle

Category	Defining characteristics	Illustrative quotes from interviews
Community	Familial relations	"[Mars] was a way of life. It *was* life, because my friends came from this workplace: fantastic relations with managers, relations of partnership, and friendship. We were one big family." (Avi, senior programmer)
	Trust	"In [Jupiter] everything was about personal trust. There were no written labor agreements, [just] two-sided trust and loyalty. Friendship and loyalty are the values I believe in and that characterized [Jupiter]." (Jerry, area manager)
	Solidarity	"[Mars] was a way of life. Your peers were caring and supportive at work and outside of work. When I have to tackle personal difficulties, people from all over the organization stand by me." (Eran, area manager)
	Egalitarianism	"We worked with the managers shoulder to shoulder; there were no conspicuous status symbols. You enter the CEO's office and you get such a welcoming reception that you would come again. The only things that counted were your contribution and technical knowledge. This was the real compensation for very limited career paths here at [Jupiter]." (Haim, senior programmer)
Job security	Lifetime employment	"In my job interview, Dani [the division manager] told me, 'Here in [Mars] we have no tenure, but I can promise you that if you come to work with us, you will leave only when you reach retirement age.' " (Reuben, technical manager)
		"In [Jupiter] we never fired people; we kept even the weak and the mediocre. We passed difficult times without letting people go. It was part of being a family." (Dana, support manager)
Coordination and control	Bureaucracy	"[Mars] was a red-tape organization. Everything was done according to the book, from taking vacations to project work." (Uri, project manager)
	Measurement and monitoring	"We were the champion of project tools and quality control. In [Jupiter], all aspects of our activities were monitored, and we spent at least two hours a day just filling out reports, not to speak of writing memos on each request we have in our project work." (Eli, support manager)
Technology and project orientation	Technological excellence	"[Mars] specialized in technology; [it] was a company that starts and finishes projects in a very professional manner. The work methodology was very structured; there was great emphasis on that." (Ami, project manager)
	Technological innovation	"[Jupiter] was a pioneer in implementing innovative methodologies in the field of software development. We were [a] bunch of whiz engineers with total commitment to technological progress." (Yossi, marketing manager)

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activities such as weekend hikes were commonplace among managers and employees, as were friendships and social gatherings outside of work. These practices supported solidarity at work and an organizational identity that drew meaning from both the work and social lives of its members, reinforcing values of solidarity and trust (e.g., Mizrachi et al. 2007). Our interviewees described several practices that supported a familial culture at M&J, including a zero-layoffs policy and arrangements that allowed employees to work from home. "On Friday, three of us from work are always going to Sabbath dinner with the families," said Yossi, a marketing manager. "The women are always complaining that at least half of the evening we talk about work." M&J employees referred to such practices in normative terms, reflecting solidarity, togetherness, and trust in the individual and organizational domains alike. They seemed proud to incorporate their personal emotions, attitudes, and motivations into their professional lives. Thus, at M&J, the enactment of boundaries functioned to combine the professional and social domains.

The stability of M&J's labor force resulted from the zero-layoffs policy, which promoted long-lived social relationships and facilitated cooperation across functions. M&J employees described the resulting environment in terms that evoked fairness and egalitarianism, which led to high levels of mutual help and generalized reciprocity. M&J employees recalled several instances of help offered without any expectation of reciprocity. Roni, a veteran programmer at Mars, told a typical story:

> When I was on maternity leave I was replaced in managing the project by another center manager, and all the credit and income continued to flow to my center. Most remarkable was the family atmosphere, organizing for parties or events that were not formal company affairs but with coworkers.

Thus, blurry boundaries between work and nonwork reinforced belonging both within and outside the workplace. At work, this blurriness transcended hierarchy, giving M&J the flavor of an egalitarian collective and creating a sense of "communitas" (Turner 1967). Employees described this communitas with special reference to the formative years of the merger. Many informants from M&J described routines and practices as Levi, a support manager, did: "For a long time after the merger, before making any decision I consulted our people. I even went to Tamir's [Miracle's chief operating officer (COO), a division manager at Mars] home after work and consulted with him. It is not only me, but many of us did the same, as at the beginning we felt unwelcome here. But luckily we have our bonds."

Jupiter's multiple identities: Within Jupiter, there were strong divisional demarcation lines. For managers, the division represented another identity through which they could express professional affiliations and identify their place in the firm. For example, the Real Time group was considered the home of the firm's elites. The group, which worked mainly on classified R&D defense projects and enjoyed high prestige, was viewed as cohesive and isolated. It developed its own internal identity by drawing on a set of boundaries reflecting a different set of norms and practices than the rest of the firm. For example, by adhering to standards of secrecy around issues of national security, the group sometimes withheld the expected level of transparency and accountability regarding the economic viability of its projects. Unlike the rest of the firm, the group's recruitment of new employees required broad-based consent from middle and top management and was highly selective, resulting in few hires. "In my six years working in the group, only a handful of people were hired, and only technologists," Rami, a lead programmer, explained. "We stayed a homogeneous group. And, I think because of what we were, we were the last [group] to integrate into [Miracle]."

In contrast, the IT group consisted of a mix of technologists and salespeople and considered itself open, dynamic, and competitive. Making sales and winning new projects and clients were seen as key criteria for individual evaluation. Members of the IT division explained that its exposure to the external environment and shifts in markets directly influenced its practices and routines. "Working at the clients' and meeting their demands forced you to adapt and change," said Eli, a support manager. "To work in the IT division, you need to be flexible, open-minded, dynamic, and think and make fast decisions. This is us." Turnover in the IT division was much higher than in the Real Time division, and the employees were younger. "Our employees, who were younger and often left us, have created more difficulties in coordinating activities," said Raviv, a former manager of the IT division. "So we were well known within [Jupiter] as the division who worked in change mode. I saw it as a positive, but others may have seen it in a different light." This suggests that a cognitive boundary of age may have been a meaningful point of differentiation between units in the firm. Also, the IT division was the most profitable at Jupiter. Unlike the Real Time division, its reward system was based on team performance, encouraging internal competition. Our interviewees observed, however, that competition did not weaken cooperative norms, which they described as key to solidarity and familial ties.

The accounts of M&J suggest that boundaries instituted a strong identity that supported a system of coherent beliefs. This identity facilitated normative control and an ideology that emphasized commitment to the mission. We identified a demarcation of boundaries that regulated internal interaction (Hernes 2004) and supported familial norms as well as boundaries that stressed bureaucratic practices. These boundaries,

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based on seemingly contradictory mechanisms, created a high threshold for change and reflected the strategy of operating in a relatively stable environment.

Venus. Venus was a typical start-up, described by its employees as having a dynamic pace, flexible structure, and entrepreneurial nature. Venus changed its strategy often to adapt to the dynamic IT market. It was a young firm; most employees and managers were under 30. Employees referred to Venus as a close-knit, egalitarian network of friends who shared a vision and worked hard together to achieve it. This was supported by a recruiting system based on nepotism and friendship. In such an environment, social relations can transcend formal work arrangements (Trice and Beyer 1993). Getting work done at Venus was associated with openness and accountability rooted in deep identification with the firm, which filled its management ranks by promoting from within.

Organizational structure: Venus employees were expected to set their own roles, regardless of their formal job descriptions. As a Venus manager described, "You may come in the morning with an idea and were given all the resources needed to try to make it happen. No one [would] scold you if you fail; it was part of the doing. We were encouraged to 'enlarge our heads' and to succeed at all costs. The adrenaline of success was in the air, and everyone was part of it."

Internal entrepreneurship called for management to be action oriented, which encouraged employees to initiate activities without regard for their own status or roles, or the consequences. "You were encouraged to go after your ideas," said Tulio, a marketing manager. "The motto was 'Those who never make mistakes are not doing [anything].' " Venus's action orientation was consistent with its flat structure, informal norms of accountability, and openness. In contrast to the formal decision making that characterized M&J's divisional structure, Venus's flat structure enabled decentralization, a relatively wide span of authority and responsibility, and consensus-based decision making. A flat structure also helped discourage the development of hierarchies. Managers at Venus made a point of doing their own secretarial work, and the criteria for management positions largely involved interpersonal and leadership qualities rather than technological or professional excellence.

Values and practices: Table 4 displays representative quotes from the interview transcripts drawn from the analytical categories that are associated with past boundaries at Venus.

Venus's laissez-faire entrepreneurial identity encouraged informality, shared decision making, and initiation of new activities. Leaders preached the benefits of taking risks and driving relentlessly for new ideas and business opportunities, and they treated favorable outcomes as shared successes. "In [Venus] we promote thinking out of the box and provide the organizational arrangements for that," said Ari, an area manager. Venus's characteristics generated an informal, organic community that relied on employees' commitment for its success. One manager pointed out two key managerial practices: handsome incentives for employees who created more business and rituals designed to promote "a completely unparalleled sense of pride in being part of the company." Former employees described a "permanent feeling of elation" and "encouragement to reinvent a new wheel." They also noted that the firm was demanding

Table 4 Analytical Categories for Venus Prior to Merger into Miracle

Category	Defining characteristics	Illustrative quotes from interviews
Entrepreneurship and initiative	Role spanning	"If you had an idea, you could come in the morning and try to implement it. All possibilities were given to you so you could succeed in your own right. You [were] encouraged to start and finish, doing everything yourself, to be a generalist." (Nirit, area manager)
	Creativity	"We simply initiate, think of new ideas for making progress and developing, about how to better succeed, both as individuals and as a company." (Moshe, marketing manager)
	Tolerance	"There was a lot of patience and tolerance. Even if you made mistakes, you were encouraged to keep trying. They believed in you as a worker, gave you backing, and that contributed to the will to contribute." (Yunit, sales team leader)
Managerial style	Transparency and openness	"[Venus] was a very open company: no secretaries, no distance, no status. Everything is done out of tendency for friendship—encouragement without envy, complete openness, and a lot of togetherness, regardless [of] your position. You should dirty your hands, do whatever you can. Very pleasant feeling of esprit de corps." (Eden, vice president of marketing)
	Trust	"There was a lot of trust, and you were not measured for each line in Excel. In terms of results, this allowed me as a manager great flexibility, but also big mistakes." (Zivit, presales manager)
Selection	Social fit	"The people working with me were above all my friends. We all stayed in the evenings to play computer games, and it could have been after 14 hours of work. When I recruited workers, the first thing I checked was how they will fit socially. It was more important to me than the professional aspect." (Rivi, product manager)

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and emotionally draining, "pushing people beyond their envelope and helping them to discover their best capabilities," as one interviewee put it. Venus's founder asserted that the firm's central value was "sharing in success." The firm's incentive model encompassed monetary rewards and stock options for all, together with public recognition and celebration of successes big and small. Thus, Venus's values and practices suggested that each success was the outcome of choices by every member of the firm. The sense of autonomy that characterized Venus was salient to its members after the merger into Miracle. As Yochi, a project manager claimed, "I have few of ex-[Venus] people under me, together with people from other companies, I don't have to tell them much, and blindfolded, I trust them. They don't need much instruction and supervision like the others." Thus, Venus members not only retained their old allegiances, but in practice, reconstructed boundaries reflecting the past emphasis on internal entrepreneurship and autonomy.

Pluto. Pluto was a systems integration and outsourcing firm that specialized in IT systems and computer networks for the private and public sectors. It was predominantly a sales and support firm that treated customer satisfaction as its highest goal. Its strategy to sell at any cost required a flexible management system, which focused on the bottom line at the expense of orderly routines and a coherent strategy. Aggressiveness and responsiveness were perceived as the only explicit guidelines for closing deals. Pluto operated as a fast-growth firm in a dynamic environment under the direction of a founder who pursued a strategy of indiscriminate expansion. Such expansion required frequent hiring and resulted in relatively high turnover, on-the-job training, and regular modifications of everything from the configuration of office space to the firm's structure.

Organizational structure: Neither standard operating procedures nor bureaucracy existed at Pluto, and middle managers found themselves at liberty to set their own strategies and make decisions without approval from or even notification of top management (Balogun and Johnson 2004). "The attitude is do first and then ask and check," explained Pluto's founder. Pluto's structure as a holding company with independent subsidiaries but no centralized functions intensified the autonomy of each subsidiary, creating a degree of chaos, as well as the likely presence of boundaries between autonomous units and groups within the firm. The improvisational nature of work stemmed from a strategic preference for gaining market share and new clients at the expense of building internal organizational structure, core competencies, and modes of operation in keeping with Pluto's actual abilities. This strategy entailed risk taking and exploration of new markets via trial and error. The atmosphere of risk taking, which entailed entering markets and professional areas with which Pluto was not familiar, forced the firm to invent work methods and systems while executing the job. Pluto employees took pride in their risk-taking ways, seeing them as an expression of their enthusiasm, youth, and nimbleness. Table 5 displays representative quotes from the interview transcripts drawn from the analytical categories that are associated with past boundaries at Pluto.

Values and practices: Pluto's founder was viewed by employees and managers as charismatic and manipulative and, at the same time, caring, personable, and informal. His leadership was described as centrist and patriarchal in a way that transcended work procedures, behavioral codes, and formal lines of responsibility and authority. The founder's management style was based on creating personal obligations between himself and his employees.

Pluto's focus on clients meant that members perceived its boundaries as stretching beyond its own walls and reaching into the domain of the client. Employees were heavily engaged in cultivation of clients. Management elevated clients above all else and catered to their needs unconditionally, even at the price of exposing the firm's weaknesses. Several Pluto interviewees asserted that the firm never said no to a project, whatever its profitability or Pluto's existing capabilities to execute it.

Pluto members noted their experience of tension between normative boundaries supporting aggressive sales with little bureaucracy with boundaries they encountered at Miracle, which also valued sales but pursued them in a more systematic way. The mismatch between the values and practices of the two firms yielded frustration. For example, Yossi, a sales manager, explained, "On one hand, [Miracle] management pushes hard for sales. This is our natural ground, but we can't do it when they impose endless bureaucratic rules and reports on our work. Let them do it the [Pluto] way; [it] liberates our free spirit. Judge us just for the bottom line and not on our timely reporting." Though Pluto members brought the values and practices associated with sales at all costs to the merger, they still had to negotiate new boundaries that combined this focus with unfamiliar bureaucratic controls.

Merging Mars, Jupiter, Venus, and Pluto into Miracle: The First Stage

In this section we analyze the dynamic process of merging Mars, Jupiter, Venus, and Pluto into one firm—Miracle. Specifically, we present the first stage of postmerger integration, in which boundaries were negotiated to leverage and import best practices and legacy firm knowledge mainly for operational integration (Haspeslagh and Jemison 1991, Stahl and Voigt 2008, Vaara et al. 2012).

Boundary Negotiation: Implementation of Best Practices. The effective transfer of practices during Miracle's

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Table 5 Analytical Categories for Pluto Prior to Merger into Miracle

Category	Defining characteristics	Illustrative quotes from interviews
Task orientation	Speed	"We were constantly running ahead, the target being to make more and more sales, bring more and more clients, make them happy and us rich. And everything was hand-to-mouth and moving at great speed. And they learned from us to run, to be hungry, and to swallow the market." (Ronen, executive vice president)
	Decision making	"Decision making was very quick thanks to the fact that we the managers were very independent, and that there was no enforcement of procedures. … Flexibility of decision making and performance was very high. Decisions would change from minute to minute, for better or for worse." (Yuval, marketing manager)
	Risk taking	"We entered dangerous adventures that perhaps, thinking back, even scare me a little. We promised clients things we had never done before, went into projects with bigger and more experienced competitors than ourselves. Everything was done on a trial-and-error basis. The lack of experience is covered by commitment, youth, and enthusiasm. We were naïves from Jerusalem. Sometimes ignorance makes you take huge risks, which you never dream of taking later." (Ram, founder)
Coordination and control	Improvisation	"Everything with us was very fast and quick. There were no procedures or work methodologies; there was almost no coordination with other functions of the organization. Everything was a mess—no structure, no procedures, no transfer of knowledge. When we grew and had more than 150 workers, we started to feel the mess." (Orit, support manager)
	Autonomy	"Everything was done independently with each manager; there were not … headquarters functions. Except for salary … there were no human resources." (Nimrod, vice president of operations)
	Informality	"There was no central organized headquarters. I used to interview workers in a coffee shop, and so did all the others, and the salary discussions were also held in coffee shops. There were informal recruitment procedures. One day I called my ex-IDF [Israel Defense Forces] unit and asked who was discharging today, took [the founder's] GMC, and went to the discharge base to bring guys that were discharged that very day." (Dagan, marketing manager)
Leadership	Paternalism	"[Pluto] has extraordinarily loyal workers, because you had a father and a mother—the founder and his brother would take care of everything for you. A worker in distress could approach the founder, and he would get out of his skin to help. Sometimes he treated us like children. I remember that once when there was a snowy day in Jerusalem; the founder summoned all of us in the morning and announced a day off on the occasion of the snow." (Talia, service area manager)
	Charisma	"We were like those who follow the Pied Piper of Hamelin, which just move on, not even thinking 'one step forward,' or questioning [the founder's] logic." (Amos, technological area manager)

postmerger integration was a high priority of Miracle's management. To implement best practices, management formed several postmerger steering committees including those dedicated to logistics, technology, support, and sales. Committee members were considered leaders in their subjects and were prominent members of the firms that comprised Miracle. The committees drafted recommendations only after interviewing various members of each legacy firm to detail the diverse practices of the four firms. Zvi, an area manager who chaired one of the committees, explained,

> The most useful way to develop new practices for sales in [Miracle] is first to hear how sales had been done in each company before the merger. So, we interviewed the sales champions. We got different ideas. Each person … swore that his or her system was good for [Miracle]. Then, in the committee we debated what to do. And it was funny, as those members pushed for their old system. I channeled the debates of my committee in such a way that we moved from a solution based on adopting what works in [Venus] or [Mars] to what will work for [Miracle]. For example, in [Mars] they never got bonuses on sales, and in [Venus] they got disproportionate bonuses. So we debated and used the different incentive schemes of [Mars] and [Venus] as a tool, as prerequisite knowledge, to build a new incentive scheme for salespeople in [Miracle].

Thus, the various committees served as a mechanism of rejection and adoption, screening routines, practices, and management blueprints of the merged firms, adopting some best practices and rejecting others. In general, members pushed for the adoption of their legacy firms' practices. The justification given was the benefit of taking advantage of proven, available practices and expertise so as not to reinvent the wheel. For example, in an apparent attempt to manage the merged firm more effectively, Miracle's management adopted the formal back-office procedures of Mars and Jupiter. This change was accomplished in a series of steps. First, senior managers from either Mars or Jupiter were appointed to lead operations, HR, logistics, and finance, whereas managers from either Mars or Jupiter were named as leaders of three of the five major business groups. These

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decisions served to ensure that the practices of Mars and Jupiter would be well represented in the centralized functions and business groups comprising Miracle. In a sense, Mars and Jupiter would then become a model for the boundaries that would be imported into Miracle. Research suggests that these early models are imprinted and transferred from organization to organization via managers and their practices (e.g., Baron 2004, Baron and Hannan 2005, Baron et al. 1996, Burton and Beckman 2007, Hannan et al. 2006). Typically, these models come to define the assumptions and practices in use. However, at Miracle, the issue of coordination and control loomed as a potential roadblock to integration. "After completing the merger, we were thousands," said Dov, a business group manager. "The only way we could control the company was by working with definite rules and procedures." The resulting bureaucratic processes were viewed by employees from Pluto and Venus as cumbersome, time-consuming, and unfriendly in their impersonality, eliciting a sense of alienation. "The bureaucratic culture at [Miracle] overlooks our needs as individuals with specific demands and needs, and sees us as running numbers," lamented an area manager from Pluto, who continued, "the human touch, the soul, disappears." The wholesale introduction of these aspects of Mars and Jupiter as best practices drew complaints from members of other legacy firms whose own practices reflected fewer formal controls.

Bureaucratic procedures were first implemented in systems such as logistics and the internal help desk, which were crucial for quick integration and centralization. The bureaucratic standardization of these systems stripped away the intimacy and informality that marked both Pluto and Venus. But employees from each firm agreed that, given Miracle's size and complexity, these new procedures were necessary and even welcome for their efficiency. Thus, boundary changes enacted practices and values that reflected increased bureaucratic control. Miracle members whose legacy firms used a different basis for control reacted to the postmerger integration with acceptance through contestation. It is possible that although members of Venus and Pluto resented the changes, they realized that as less central and more recent players in the merger, acquiescence was a legitimate response. Indeed, merger partners who view themselves as subordinate are more likely to accept changes viewed as legitimate (e.g., Hogg and Terry 2001, Marmenout 2010). This sense is reflected by Shalom, an area manager from Venus, who explained, "In a huge organization such as we became after the merger, you have to implement bureaucratic procedures, and it is only natural to draw them from [Mars] or [Jupiter]. But this does not imply that we take it for granted. I and many of my friends from [Venus] always weigh the new culture here against the backdrop of what we used to have in [Venus]."

Thus, management oversaw the redrawing of boundaries by importing best practices from Mars and Jupiter to strengthen aspects of Miracle that boosted formal control and accountability. At the same time, as we will show, Miracle's managers adopted a results-oriented focus that denoted the performance-related boundaries of Pluto, with its focus on maximizing results above all else.

Boundary Negotiation: Transfer of Information. Participants often raised the transfer of information, noting its key role in the negotiation of internal boundaries. Knowledge transfer is considered a crucial input to merger success, as learning from the other firms' experiences aids successful integration. In Miracle, two types of information were transferred: (1) formal information about operational issues and strategic moves and (2) informal information concerning management intentions about integration-related issues, including layoffs, appointments, and new acquisitions. The first type of information was circulated through Miracle's intranet, emails, and meetings. However, news was usually viewed according to one's past affiliation. As Hanna stated, "If one of us [from Pluto] is getting a promotion, we are happy, because it means that he or she will take care of us. Although we are now all [Miracle], still your original family is your real family." The second type of information was informal and regarded management intentions. This information was interpreted using a double prism. The first prism involved the relevance of information for the self and the team, and the second prism involved the relevance for the legacy firm. Members shared information along legacy firm lines with an aim to take action that reflected loyalty to the legacy firm. Again, Hanna noted, "We have our founder as VP [vice president], and we got many pieces of information which we share among ourselves [members of Pluto], for example, the idea to merge certain operations within [Miracle]. This gives you leverage, because you could preempt the situation of being redundant by seeking the help of our founder to move into another unit or by looking at the job market ahead of time."

Retaining and promoting particular practices that were the legacies of Mars, Jupiter, Venus, and Pluto served to create much-needed autonomy and empowerment in the first phase of postmerger integration (Cartwright and Cooper 1992). Indeed, scholars of postmerger integration note that acquirers benefit from preserving the target firm's capabilities by maintaining its autonomy, thus using a symbiotic postmerger integration strategy (Haspeslagh and Jemison 1991). The degree of difference between firms, the nature of contact between them, and the level of integration intended are key factors in the creation of a new identity (e.g., Weber and Schweiger 1992).

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Merging Mars, Jupiter, Venus, and Pluto into Miracle: The Second Stage

In the second stage, boundaries were blurred as managers built on established postmerger practices and emerging understandings among legacy firm members to create a shared identity. At its core, this stage of integration featured the transformation of the streamlined practices, values, and structures that resulted from the bottom-up negotiation of boundaries in the first stage. The boundaries shaped in the second stage became the building blocks used by managers to shape the future vision and strategy of Miracle. Thus, boundary formation in the second stage is based on the legacy of the merged firm and, later in the integration process, on the reformulation of the legacy according to the new strategy and mission of Miracle. In the following sections we describe how the postmerger boundaries emerged and shaped a new identity focused primarily on performance and expansion.

Boundary Negotiation: Performance and Success. During the merger process, Miracle introduced formal IT systems to provide information on numerous parameters of effectiveness. Using these tools to link together each element in the chain of business activity, Miracle management achieved instant vertical integration. The system held Miracle employees to predetermined standards of performance that were continuously monitored. Managers and employees both perceived the monitoring system as a symbol of a demanding and stressful "bottom-line" focus (Sales and Mirvis 1984). Monitoring and measuring output were viewed by employees as serving the purposes of enhancing performance and promoting healthy competition and motivation while inhibiting risk taking by emphasizing the bottom line and using boundaries as social control mechanisms (e.g., Stinchcombe 1978).

Even amid increased monitoring, Miracle employees needed flexibility to perform necessary tasks. "At the beginning of the merger things were loose, and it was good that they were so," said an area manager, "because we can have more freedom to make knowledgeable decisions without following instructions which do not fit our daily business reality." Initially, employees had autonomy to shape practices according to both premerger and emerging cultural repertoires (Swidler 1986).

A fervent commitment to success was apparent from the start of the merger and manifested itself in the promotion of competition among units, work teams, and individuals, by both formal and informal means. Formal mechanisms included organized competitions among individuals and groups, public dissemination of individual achievements and results, and publication of information on the firm's successes, including its quarterly results. For example, a senior manager regularly walked Miracle's halls ringing a bell and announcing the name and sales data of the top sales employee. The competition that resulted, for credit and position, was clear. Furthermore, HR practices—in particular, formal evaluations—were a distinct tool not only for measuring and evaluating performance but also for assessing members' fit with the merged firm and its values. Iddo, a sales manager, noted, "The implementation of 360 [multirater evaluation] is suffocating. It is not only about performance but also about compliance with the new practices and rules of competition and 'killing' for every deal."

The informal mechanism for boosting the standards of and focus on success was normative control. "We are asked to show better results each quarter and at the same time to be more efficient," Dorit, an area manager, explained. "In contrast to [Jupiter], and like in [Pluto], we all feel the pressure, up to the last employee. We are all accountable and expected to pay a personal price if we underperform." This attitude toward performance was perceived as a legacy of Pluto, which had treated sales as the sole yardstick of professional and personal success. Unlike at Pluto, however, the drive for bottom-line results was embodied in formal procedures that, in form if not in spirit, were more reminiscent of Mars and Jupiter. In either case, the boundaries implemented no longer simply copied a straight importation of practices or values from a legacy firm. This shift of boundaries led to accusations of a cold management style. "In [Miracle], the profit is what counts. Management became structured and impersonal," said Itai, a division manager originally from Jupiter. "You don't look in the eyes: no contact, no soul. We don't have the human side of management anymore."

Many employees found Miracle's focus on results above all else, combined with bureaucratic procedures that closely monitored how those results were reached, to be unfair. This was particularly true for employees from Mars, Jupiter, and Venus, where performance was not externalized in this way. Formal evaluations focused on the current period's performance and ignored employees' past contributions. The top management team was referred to as "Big Brother," who used employees like "pawns in a chess game." The boundaries in use in of all four firms had in common loose control over performance paired with a strong normative commitment to success generated by the employees themselves. This was replaced by a boundary that emphasized the current period's performance as distinct from the past. Although results had been stressed at Pluto, motivation was assumed to be based in entrepreneurial zeal and a commitment to customers, rather than in external measures of success. At Miracle, motivation became less intrinsic, rooted instead in external standards and the pressure and anxiety they brought. "The anxiety over results and meeting your objectives and the fear of not performing is the dominant motivator," said Irena, a presales manager from Venus. "When I compare [Venus]

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to [Miracle], it is like changing a concrete floor to a floating and dwindling one."

To create shared identity, Miracle management employed various strategies to enhance integration. Miracle managers committed themselves to practices they adopted to support success, such as individual rewards, firmwide dissemination of business results, and publicly naming high achievers. "There are lots of advantages to the 'the-sky-is-the-limit' approach. It gives you a strong sense of importance and empowers you. You can make a difference, and the reward may well be a promotion," said Tovi, an area manager. "In [Mars] you couldn't do it." At Miracle, managers linked fairness with a tangible recognition of a job well done—a departure from the familial, informal, and egalitarian practices that defined Mars, Jupiter, and Venus. In terms of boundaries, the former normative way of thinking about performance was shared by each legacy firm, but at Miracle, the definition of performance combined strong normative control of output with external rewards and punishments intended to reinforce normative beliefs. The fact that the strong normative commitment to success was rooted in different bases of motivation in each legacy firm made it hard for managers to combine a simultaneous commitment to family, innovation, experimentation, and results. Attempts to build shared identity were particularly evident in the creation of marketing tools. Miracle instituted an ongoing marketing seminar built on social science research to teach employees to exploit cognitive heuristics to make sales. This seminar signified a new approach, not drawn from any of the legacy firms, and the evaluation metrics collected from employees were positive. At this point, managers also hired a consulting firm to plan and implement the marketing strategy and train the sales force.

Other activities added during this phase included frequent social events that were accompanied by, according to an interview with Leah, an HR manager, "preaching sessions" by the top management team on the "importance of synergy and working together." The resulting shift in boundaries, in which external rewards and inducements were introduced in conjunction with a voiced commitment to the past, gave management additional flexibility in controlling performance using multiple levers to motivate employees while monitoring exactly how results were produced. However, as evident in earlier quotes in which employees complained about or ridiculed the new systems, this was widely resisted by employees from each of the legacy firms who found it deeply unfair. For example, management established various incentive schemes such as the "employee of the month," which came not only with financial benefits but with the circulation of the news throughout the firm and a celebration by management. By and large, these mechanisms bothered members from Mars and Jupiter, where familial boundaries based in the safety of tenure meant that no one was singled out for celebration or punishment. Resistance was less common from those whose legacy firms emphasized performance (Pluto) or from those who were hired at Miracle after the merger. David, a salesman who joined Miracle after the merger, stated, "I don't understand why some people here are at odds with all the financial incentives and *kibbudim* [honors]. This is typical practice in every IT firm I have worked for. Here, some people are too sensitive, maybe because they used to work in more of a kibbutz environment. I tell them, 'Wake up folks, you are not in [Mars] anymore. This is not the *Histadrut* [the national labor union]; you are in the real world now." Thus, members of Miracle both endorsed and resented aspects of the postintegration firm, and this often divided along the boundary between new employees and those who had worked for a legacy firm. In general, members from legacy firms expressed feelings of unfairness and resentment toward the merger. Management's efforts to reinforce an identity that emphasized expansion and growth aimed to bypass social conflicts that stemmed from internal frictions and mistrust in the merged firm (Vaara 2003).

Boundary Negotiation over Ownership and Strategic Approach. Miracle's American ownership was manifested in formal gestures and practices in a range of domains. Official titles, formal job descriptions, and status symbols like company cars and lavish offices created an emphasis on status and hierarchy and were justified by its CEO as "a part of [Miracle's] existing strategy, which was given high priority by the founder." Informants claimed that the new emphasis on status-based practices and status symbols were imitations of "American corporate culture," and they were introduced by the founder as part of a strategy of expansion through international acquisitions.[3] "It is bizarre, all these prizes, clapping, bell ringing, parading the employees of the moment in front of all of us," commented Dor, an area manager. "More bizarre is to see our [Mars] ex-managers orchestrating this." The new social events were dubbed "cocktail parties" by interviewees to connote their superficial nature, where participants jockeyed to impress management. "In [Pluto], things were simple. We were like in kibbutz, and even our social events were like *kumzitz* [sitting around a bonfire]," lamented Eli, an area manager. "At [Miracle], people become stuffy and formal, wine drinkers and eaters of small pastries."

The differences between the premerger legacy firms and the postmerger firm took political shape, evolving into friction about mission and identity. During the first stage, management promoted its mission by engaging in power struggles that often resulted either in the layoffs and resignations of managers or in the reshuffling of their roles. Amir, a division manager, summarized, "After the merger, we encountered a hectic time. Those

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managers which we considered as not a fit in terms of their understanding of the new mission left. Then we started with a 'musical chairs' process. It took time to find those managers who are with us, understand what we want to do, and can do what they have to do to accomplish [Miracle's] new mission of being an aggressive organization, a leader in the IT field in innovation and effectiveness." Thus, by positioning managers committed to the new mission, the formation of Miracle's identity was quickly galvanized and disseminated.

To position itself as a top industry player, the firm pursued intensive public relations efforts to create a high profile. This aspect of Miracle's identity had a dual aim: First, it was intended to signal to the external environment of competitors and allies that a new player had arrived with the objective of leading the market. Second, it also boosted the internal integration of employees around Miracle's strategy. Specifically, the definition of new external boundaries by Miracle's management served to mobilize employees who were retaining premerger boundaries that clashed with the new identity. Perhaps the most dominant symbolic event in this process was a meeting at which former president Bill Clinton was the guest of honor. Management viewed the meeting as the single most formative event in the life of the firm and one that established its external recognition. Employees were highly aware of its symbolic meaning. "It felt like during taking the oath in the army," said Avi, a veteran Mars marketing director. "But this time it was not a 'General' Clinton, who was the figure which united us under the same flag. He symbolized the spirit and the ambition—to be in the top, and mainly to lead."

But the focus on such external symbols to demarcate Miracle's claims to status and leadership appalled many employees. Specifically, employees from Jupiter and Mars, whose firms were both discreet and egalitarian, were horrified. As Eva, a technical manager and former Jupiter employee, put it, "The culture of ringing bells for announcing results, the big [Miracle] logo on the company cars, the huge logo on the building, which you can see from miles away, are all expressions of an impression of greatness, populism, and Americanization which is dominating our culture." Some employees viewed the cultural practices associated with this external focus as indicative of a system that ascribed more weight to Miracle's collective image than to the individual. Employees perceived Miracle as spending massive amounts on glitzy events and management perquisites even as they worried about being laid off as a result of the strong focus on individual-level results and success. This tension points to an important tension of symbolic national boundaries (Ailon-Souday and Kunda 2003) in which the characteristics of the legacy firms that were interpreted as authentically Israeli conflicted with new characteristics of Miracle that are seen by members as being derivative of American culture.

Another manifestation of the negotiation of the boundaries around ownership and strategic approach involved middle management—namely, the division managers up to the vice presidents of Miracle. During the formative period of the postmerger integration, many former managers of the merged firms struggled to consolidate control over their units and at the same time play a political role to gain the attention and endorsement of Miracle's top management (Drori and Ellis 2011). After the initial period of focusing on integration as a tool for creating common practices and a shared sense of the new identity, Miracle management resorted to what was termed as the next stage: a "global expansion and ongoing organizational change to institute the best structure to support the global expansion" (from a January 2003 internal employee memo). Miracle started its expansion activities with a series of acquisitions in the United States, the United Kingdom, and continental Europe and by opening regional offices in two countries in Asia. This expansion had the impact of blurring internal boundaries among the various firms and created new demands stemming from accelerated growth and the need for basic global integration and coordination. Asher, a division manager originally from Mars, described this stage:

> Two years after the official merger, we started with aggressive global expansion together with ongoing structural changes. This blurred everything. It forced us to do things the [Miracle] way. New managers with international experience were hired. Those of us without international experience practically left. Those like me with experience from [Mars] were forced to change the way they manage and conduct business. In [Mars] it was slow dealing. We worked mainly for the Israeli and U.S. defense establishment, and the rhythm was slow. The business cycle was long. Here in [Miracle], we started to work according to Darwinian principles. Those who adapted and managed aggressively and delivered, stayed. Others left. The little bit of solidarity and the common fate which we as senior managers established when we had just merged, evaporated. We became hedonistic and risk takers, even at the expense of others in the organization.

The global expansion was a corollary of an assessment that the merger was working. In 2003, an internal memo from the COO, who had been a Mars manager, to a division manager who had been a close associate of his there, stated that "knowing your top salesperson and the work he has done to train and build a team that understands international business, I have no doubt in my mind that your division will take advantage of our recent acquisitions abroad." The focus of Miracle's managers shifted from internal integration to capitalizing on a streamlined firm that could exploit new opportunities to build competitive advantage through global expansion. The memo also lauds the internal learning and

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knowledge transfer within the sales team. Miracle galvanized its postmerger identity as more market oriented, and this identity marked the institution of objectives and a mission that emphasized sales and customer service, supported by numerous new workshops and on-the-job training described earlier. The entire firm, including groups dedicated to support, logistics, and administration, across all levels, participated in a special workshop developed by Venus's CEO. The workshop focused on engaging and retaining customers, understanding their needs, and providing them with the best service. Management encouraged the various divisions to initiate a variety of marketing activities that sometimes competed with one another while encouraging employees to share the knowledge and practices that existed in the premerger firms.

The logic supporting our process model is drawn from the varied types of negotiation of boundaries we found. Table 6 provides illustrations of each type of boundary negotiation. In the first stage of the merger, members of premerger firms clung to their legacy identity and negotiated two major issues: best practices and knowledge transfer. The second stage is marked by blurred boundaries in which both managers and employees negotiate the new identity by focusing on creating tools and strategies of action to achieve Miracle's objectives and enhance its performance.

Discussion

The main contribution of our study is to advance understanding of the impact of boundaries in the two-stage process through which identity is shaped during postmerger integration. Our findings suggest that boundary demarcation shapes the processes through which premerger identities endure and decay as well as the processes underpinning new identity creation. The research reveals how the identities of premerger firms are used to serve as the foundation for the emergence of the identity of the merged firm. The postmerger integration of Miracle illustrates how identity endures and changes in a process of identity building enabled by the construction of historical legacies that are used for identity formation in postmerger integration (e.g., Anteby and Molnar 2012).

A Stage Model of Postmerger Integration

Our research uses data collected over a period of more than two years to demonstrate that boundary negotiation is a mechanism for identity creation by linking premerger identities to the new practices and values that define the postmerger firm. In particular, our data reveal boundary negotiation dynamics on the part of employees, management, or both around the implementation of best practices, transfer of information, assessment of performance and success, and the assertion of ownership and strategic approach. These dynamics form the basis of the process of postmerger identity creation. Specifically, boundary negotiations enacted processes of rejection or acceptance of various practices, beliefs, and values during integration. Our findings suggest that the rejection of some practices was related to management's belief that such practices failed to serve the postintegration modus operandi. For example, management rejected justifications for actions or activities on the grounds that these were practices from premerger firms. Rejection of premerger practices marked a fundamental shift in how management framed and acted upon critical integration issues, serving to reduce internal conflicts among legacy firm practices and promoting shared

Table 6 Analytical Categories for Negotiation of Boundaries in Miracle

Stages	Boundary dimensions	Illustrative examples
First stage	Implementation of best practices	"In [Venus], I felt I'm in a family; here [at Miracle], I'm a manager, expected to bring results. In [Venus] I developed a well-monitored support system. I use it here with little modification." (Revital, support manager)
First stage	Transfer of information	"This is big organization, not a start-up. So here you don't dump everything, you know, on everyone. I'm still open as in [Jupiter] but share all the information with my group and friends from [Jupiter] in the entire organization and only what is necessary with the others." (Eliav, product manager)
Second stage	Performance and success	"Today, we have very clear HR practices. We know exactly our rights and responsibilities. HR even issued a special booklet for the workers which specifies exactly what is expected of us and how to achieve our personal objectives." (Orit, accountant)
Second stage	Ownership and strategic approach	"Business development in [Miracle] is not only focused on services and products but almost exclusively on identifying opportunities for global expansion, again through M&As. This time abroad. In our last management meeting we singled out the key to our successful postmerger integration. Most of the managers claim that our ability to position [Miracle] externally, as international company, helps to galvanize our operation internally." (Yoav, COO)

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identity (Clark et al. 2010). Likewise, acceptance of premerger practices constituted a mirror image of the rejection of premerger practices. Acceptance of practices that management deemed effective reduced ambiguity about firm objectives and also enhanced shared identity. Both the rejection and acceptance of practices by management represented boundary demarcation that expressed what was required for the merged firm to succeed and created the conditions needed to forge a shared identity.

Our analysis of the boundaries in use in the legacy firms and in Miracle itself reveals that boundary negotiation evolved through two stages. In the first stage, boundary negotiation involved implementation of best practices and information transfer, with legacy firm boundaries providing direct guidelines for the practices of employees and managers. The legacy firms acted as a set of menus from which managers could import best practices and members could interpret and act upon information. These practices explicitly refer to the legacy firms and use differentiated boundaries to inform control and coordination. For example, bureaucracy was brought in from Mars and Jupiter, whereas the sales and marketing approach came from Venus and Pluto. Whether members of Miracle embraced or resisted these negotiated boundaries, their sources were firmly rooted in the legacy firms.

In the second stage, the performance, success, ownership, and strategic approach was negotiated through a more explicit blurring of the premerger boundaries. Instead of importing legacy firm practices, this stage shows the development of new boundaries of Miracle. Using the outcomes of the first stage, in which the consolidation of different legacy practices yielded a new set of boundaries at Miracle, management moved beyond elements of premerger firms to seed the identity of a firm based on a marketing strategy and global presence. This constitutes a distinct second step in the evolution of the firm's identity, in which the mixed boundaries and practices were used to support the new strategy in novel ways. For example, the marketing seminars that were taught firmwide in a top-down manner constituted a new practice that defined a boundary not drawn from any of the legacy firms but instead built from the amalgamation of boundaries that had been negotiated in the earlier phase.

In this second stage, identity creation was supported by consolidation of the knowledge bases of the premerger firms (Larsson and Finkelstein 1999). The blurred boundaries reduced internal conflicts and increased Miracle's capacity to effect its growth strategy. Specifically, top management adopted an integration strategy founded on the belief that the acquired firms' identities must be combined and that the new firm would emerge out of "mixing hot, cold, and lukewarm water," in the words of Miracle's COO. Management viewed this initially symbiotic approach (Haspeslagh and Jemison 1991) as compatible with Miracle as a new entity and, in the words of Miracle's COO, "for the sake of becoming a global IT player and integrating all four cultures into one entity."

At Miracle, during the first stage of postmerger identity formation, members maintained premerger practices and values by retaining their legacy firm identities. Management supported this by implementing practices that drew directly from premerger practices. Proceeding in this manner seemed to reduce both operational and cultural uncertainties as members faced the identity threats inherent in a merger. In the second stage, when Miracle management established its strategic and operational course, focusing on sales, customer support, and international expansion, management blurred premerger boundaries, bringing in new boundaries and symbols to support the strategy and postintegration firm identity. These findings support a view of postmerger integration as an evolving and dynamic project in which boundaries influence identity and vice versa. More specifically, this research supports the claim that premerger identities directly influence the formation of the new identity (Hogg and Terry 2001, Terry et al. 2001, van Leeuwen and van Knippenberg 2003). Our findings also illustrate that cultural clashes during postmerger integration are resolved through boundary negotiation that is contingent on how multiple identities are mobilized during integration.

Our focus on boundaries highlights a contextual treatment of identity during postmerger integration. Recent studies have mainly focused on dynamics of contestation that characterize the formation of identity in mergers and acquisitions. For example, Ullrich et al. (2005) claim that the identity tensions accompanying mergers represent a disruption in the sense of continuity that spans the past, present, and future and has a direct bearing on merger success. In the same vein, Vaara (2003), Vaara and Tienari (2011), and Maguire and Phillips (2008) note that the cultural differences embedded in mergers are manifest in constructs such as sensemaking (Clark et al. 2010), narrative construction (Riad 2005), contestation and negotiation (Langley et al. 2012), and the use of language (Vaara et al. 2005). These constructs provide interpretive tools for identity building. Although our study is part of this tradition, we emphasize a process that captures the dynamics of premerger identities and the corresponding emergence of identity during postmerger integration (Clark et al. 2010).

Our findings illustrate that boundary demarcation and the creation of postmerger identity is shaped by two processes. First, postmerger identity is an intentional outcome of an integration process pursued through plans that are institutionalized by both managers and employees. Second, postmerger identity simultaneously evolves through the rejection and adoption of premerger values and practices, as well as the creation of new ones in accordance with the firm's mission and objectives. The

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two processes affect identity through different boundary dynamics. In the first case, the intended outcome of identity building is based on the formal demarcation of boundaries through the adoption of certain practices and rejection of others. The second process results in blurred boundaries through the subversion of formal boundaries. For example, when members seek help along legacy firm lines, political games and informal relations influence the resulting firm identity in unplanned ways. As the process of postmerger integration unfolded and Miracle executed its integration plan, the strength of the premerger identities waned. However, building a new identity does not entail full disengagement from the premerger identities. The premerger identities, as Miracle's COO articulated, "serve as the foundation for the postmerger integration as well as symbols of anachronism, nostalgia, or reminiscence of the past and are looked upon as out of time and out of place."

Theoretical Implications and Future Directions for Research

The case of Miracle suggests how and why legacy identities are preserved and adapted over two distinct stages to create a new firm. This view departs from a depiction of win–lose contests between legacy firms that result in the emergence of a single dominant identity and, relatedly, culture. In this paper, we have analyzed boundaries for their manifestations and content and for how they were used and contested by members and managers of Miracle. Our results have several implications for research on identity, boundaries, culture, and postmerger integration.

Implications for Research on Identity and Boundaries. First, though M&A scholars have asserted that boundaries and integration are contradictory because boundaries emphasize division and integration focuses on unity (Haspeslagh and Jemison 1991), we offer an alternative view of how these concepts intersect. Past research suggests that boundaries are relatively stable features of firms and that the boundary changes involved in a merger involve a managerial dilemma to be solved in the integration process. Given stable boundaries, the solution likely involves recreating distinct boundaries to restore balance between the merged firms. However, we illustrate postmerger integration boundaries that are fluid and in a constant state of renegotiation over their meaning and content among internal and external constituencies (Hernes 2004). We demonstrate that in the first stage of integration, premerger firms enacted boundaries to legitimate practices and values to maintain aspects of past identities that proved instrumental for integration. In the second stage of integration, the boundary frontier was broadened to create a strategy and identity that was not rooted in legacy firm identity.

Second, our study complements traditional views of social identity processes in mergers by exploring the identity dynamics that unfold when several firms merge in a short period of time. Social identity theorists have argued that status, power, and uncertainty will influence outcomes differently based on whether or not a legacy firm held the upper hand with respect to these variables (e.g., Amiot et al. 2007, Hogg and Terry 2001). Although this research integrates social identity theory with merger outcomes, the relationships proposed and tested have been built on models where two groups merge, there are winners and losers, and individuals react in accordance to which group they belong in the merger. Though our research also finds that individuals defend their identity groups, it also highlights how the boundaries that defined the identities of the merging firms get repurposed to create a firm with an identity that simultaneously represents a departure from any of the premerger firms while it preserves aspects of identity that allow members to uphold values that shape courses of action to reach desired outcomes. This preservation of valued aspects of identity may allow members to achieve a sense of optimal distinctiveness (Brewer 1991) from others as they identify with elements reflecting their legacy firms. How this happens through the repurposing and revisioning of existing boundaries and how it shapes the identity of the merged firm opens space for future research on how identity processes influence merger outcomes. Specifically, future research could assess the microprocesses through which members come to accept or reject the merged firm, testing whether boundary characteristics matter more than the status of members' legacy firms in this process.

Implications for Research on Postmerger Integration. Our study contributes in at least three ways to the literature on postmerger integration. First, our findings suggest a need to put boundaries at the center of research on postmerger integration, and in particular on "cut-and-paste" mergers, in which the pace is rapid and postmerger integration is intense. We propose that the study of boundaries allows examination not only of how social actors reconstruct their premerger and postmerger cultures and identities (e.g., Meglio and Risberg 2011, Vaara and Tienari 2011, Vaara et al. 2012) but also of the extent to which they enact boundaries based on past experience when pursuing postmerger strategies of action; that is, our study can help reveal not only how identity is situated in the integration process but also how it is imprinted on the past (Baron and Hannan 2005). A focus on imprinting contributes needed nuance to understanding exactly what is being contested when firms join to form a new entity.

Second, our research contributes to theoretical work on boundaries by demonstrating how boundaries are put in play during a process of change. Boundaries have long been understood to be a powerful element in shaping organizational identity and culture and, therefore, organizational action (Heracleous 2004, Hernes 2004, Lamont

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and Molnar 2002, Marchington et al. 2004, Vallas 2001). Far less is understood about the ways in which boundaries shift and evolve in broad organizational change. Moving beyond a simple denotation of why boundaries matter, this paper adds a perspective on what boundaries represent and how they shift over time. By contributing an empirical study of the enactment of boundaries to theoretical work on boundaries, we hope to move this area of research forward. Specifically, we show how the mix of legacy firm boundaries that evolve in the first stage of integration provides the foundation for the second stage of integration. Through identifying the ways in which boundary negotiation creates streamlined practices and values of postmerger firms, we can analyze these new boundaries as the material that the firm has to work with to further shape firm identity. In this way, the firm evolves and moves forward in defining its future vision and strategy.

Third, our approach contributes a necessary correction to notions of culture as fixed and freestanding scripts that circumscribe social actors' ability to actively influence the construction of culture. Although we focus on organizational identity, the relevance to cultural studies in M&As is obvious; culture is a manifestation of the norms and assumptions that guide members' behaviors, and these norms and assumptions are directly informed by the identity of the firm (e.g., Fiol 1991, Martin 1992). Our approach values a complex view of the boundaries that constitute identity and the multiple ways they can be combined in service of an integrated firm. This approach counters studies on culture construction in M&As that support building strong cultures as the superior integration mechanism. One strand of research on cultural integration in M&As suggests that overcoming cultural differences between merging firms is critical for eliciting buy-in during integration (Nahavandi and Malekzadeh 1988, Weber 1996). Cultural differences have also been found to be negatively associated with commitment to the merger and to cooperation with the acquirer's management on the part of the acquired firm's top management (DeNisi and Shin 2004, Weber 1996, Weber et al. 1996).

In contrast, rather than viewing culture as deriving from fixed identities, our study highlights the fluid and ongoing negotiation of boundaries that ultimately constructs the identity of the postmerger firm, suggesting that how and why boundary negotiation occurs in M&As has a meaningful role to play in mergers. Building on our findings, future research should explore how integration processes unfold when boundaries created by managers are imposed prior to or instead of the mixing of legacy firm boundaries that we observed in the first stage of Miracle's integration. It is likely that this type of integration process would seem more efficient at first glance but be less effective with members, who have not had the opportunity to first participate in a process in which various legacy firm boundaries are represented in the merged firm.

Limitations

Like any study, ours has limitations that must be noted. First, our analysis is based on a case study. This method offers a detailed, contextually rich perspective on organizational processes, with particular relevance to building testable theory in the area of boundaries and their role in mergers and acquisitions (Larsson and Finkelstein 1999, Larsson and Lubatkin 2001). But it represents only one firm's experience, and as such, general principles can be drawn only with caution. The specifics of the story will shift in different arenas, and other contexts have varied social and political meanings and may have complex and unexpected ramifications. This is because the enactment of boundaries creates the foundations for both firm collaboration and a new identity in a merger context, but it can also threaten to tear the organizational fabric. Indeed, it is apt to be the failed process of creating a new firm identity out of the old ones that produces so many of the failed mergers of which we are students.

Conclusion

In summary, our paper advances research on identity evolution during postmerger integration by illuminating the process of enacting boundaries and the flexibility of those boundaries in creating identity during postmerger integration. Mergers are often characterized by attempts to force a unified firm identity, often through clashes of identity and culture, as reflected in the body of research that examines the contests for identity dominance during mergers. Our analysis suggests a process of integration that departs from a win-or-lose contest between dominant and subordinate identities that results in the emergence of a single winner. We propose a more nuanced understanding of how the process of creating identity during integration involves more than supporting or resisting the merger based on one's status. Rather, we claim that members of different premerger firms enact flexible boundaries to negotiate the acceptance and rejection of those values and practices that are perceived as relevant and necessary for successful integration. These boundaries are then used as a platform by management to further align the merged firm with the strategic direction envisioned for the future.

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Endnotes

[1]"Miracle" and the names of the acquired companies are pseudonyms.

[2]Only one CEO remained at Miracle at the time of the interviews.

[3]Between 2003 and 2010, Miracle continued to acquire IT companies in several countries.

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