CULTURAL INFLUENCES ON POST-ACQUISITION INTEGRATION: A CASE STUDY

by

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ABSTRACT

In today's global marketplace, mergers and acquisitions (M&As) are occurring with greater frequency. They occur in a diverse range of industries, from banking to textile manufacturing. Moreover, an increasing number of mergers and acquisitions (M&As) are taking place on an international scale, spanning countries with diverse economic and cultural climates. In 1999 for example, 7,242 international took place, with an estimated value of 792 billion US dollars (OECD, 2001). Yet, while the preceding statistics appear positive, it has also been estimated that three out of every four M&As fail to achieve their objectives. (Marks and Mirvis, 2001). Considering this, a company considering an international merger or acquisition is faced with a startling quandary: Is a cross-border M&A worth the risk?

In light of these numbers, it is unsurprising to find a growing body of research related to international M&As. The research themes span a diverse range of topics, from those exploring the relevance of the pre-combination and post-combination phases of M&As (Marks and Mirvis, 2001), to those analyzing the impact of distinct variables on post-merger integration success. (Covin, Sightler, Kolenko and Tudor, 1996; Morosini, Shane, and Singh, 1998).

Culture itself plays an important role in M&As, and it touches upon almost all aspects of the integration process. In addition, the importance of national culture is growing as studies increasingly examine cross-border M&As. However, within the studies conducted, the interplay between national and organizational cultures has often been ignored, and the geographical representativeness has not been diverse. As a result, this case study of a cross-border acquisition involving a Canadian firm and an Israeli firm

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is one small step towards better representation of geographic locations in the international M&A literature.

The results of the Creo case study are threefold. First, the research offers insight into the influence of culture on the post-acquisition integration process by studying a unique case of an international acquisition. Second, it offered lessons learned for other organizations considering a cross-border acquisition. Third, for the Creo organization, this project offers an outline of the company's past actions, along with key insights into the organization's learning process.

DEDICATION

To my parents

For encouraging my dreams-

And for not worrying about the phone bills

ACKNOWLEDGEMENTS

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CHAPTER ONE: LITERATURE REVIEW

Mergers and acquisitions, while often considered synonymous to one another, are in actuality quite different. A merger is a strategy whereby two relatively equal firms decide to integrate their operations so as to achieve or create a stronger competitive advantage. An acquisition, in contrast, is a strategy whereby one firm buys another firm, or acquires a controlling interest in another firm, with the intent to use its core competencies by making it a part of the acquirer's overall portfolio (Hitt, Ireland, Hoskisson, Rowe and Sheppard, 2002).

All mergers and acquisitions are interested in achieving a successful acculturation, as acculturation will oftentimes lead to better performance. Acculturation can be described as the process "by which two groups that have come into contact resolve the conflicts and problems that inevitably arise as a result of their contact" (Nahavandi and Malekzadeh, 1993, Pg. 3). In terms of culture and mergers and acquisitions, there appears to be no definitive line that divides culture from other aspects of organizational development. There do, however, appear to be similar themes within the literature: communication, structure of the reorganization, leadership, and culture.

Strategy

Of more specific organizational strategies, the communication strategy of the acquirer is touched upon quite often in the literature. Following the announcement of a merger or an acquisition, uncertainty often increases because the level of ambiguity for the employees increases. Ambiguity is considered the degree to which interpretations of a phenomenon or action can be made in multiple ways and where uncertainty exists to such an extent that no sure method can be deemed correct at a specific moment in time

(Risberg, 2001). The level of ambiguity and uncertainty has been directly linked to a number of negative outcomes, including: decreased commitment and increased absenteeism (Schweiger and DeNisi, 1991).

Considering the consequences of heightened uncertainty, the role of communication is brought to a whole new level. Many cases and studies involving M&As refer to communication as essential (Applebaum et al, 2000; Bastien, 1987; Cray and Mallary, 1998; Hall and Hall, 2003; Marks and Mirvis, 2001; Schweiger and DeNisi, 1991; Shearer et al, 2001). Of these, Schweiger and DeNisi (1991) offer the most balanced approach to communication, offering a reminder that management might not know the outcome of the merger or acquisition before it occurs, and that circumstances might change over the course of the integration process. During the course of their study, which took the form of a true experiment with the merger preview being the treatment, they found that communication with employees, in the form of the merger preview, helped to offset employee uncertainty and to help them get through the merger integration process. They also concluded that a lack of communication led to increased uncertainty, and was negatively associated with integration.

Relevant to the emphasis on communication is the need for communication to be truthful regarding what should be expected following a merger or acquisition announcement, and the consequent changes to an organization (Marks and Mirvis, 2001). Often in an acquisition, the actual "acquisition" part is downplayed. The word, "merger" is used to show a willingness on the part of the new management to think of the acquired firm as one half of a team, rather than as a new subgroup. However, when the actions of the acquirer do not echo the terms the management team uses to communicate changes,

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the newly acquired employees can feel betrayed. Marks and Mirvis (2001, Pg. 88) state that the worst thing that an acquirer can do is "talk merger and act acquisition."

Relevant to this case in particular is the need to consider the emphasis on cross-cultural communications within the communication strategy as a whole. Schneider (1989) suggests that strategies taken by the dominant firm in an international merger or acquisition would be affected by the cultural assumptions it holds with regard to relationships among people within the firm. This is a reasonable assumption considering that both Hofestede (2001) and Hall and Hall (2003) found that national cultures have different perceptions of communication, time orientation, and the ability to deal with uncertainty.

Consequently, taking into account that Hall and Hall (2003) found that communication styles differ from country to country, and that misattributions can occur if parties are not aware of the differences, communication could even be more important in the global M&A setting than in the domestic one. By studying and/or confirming the effects of national culture on communication in M&As, perhaps further advancements could be made to determine whether these effects have an impact on the overall success of the integration process within international mergers and acquisitions. At this point, there appears to be little research on cross-border mergers and acquisitions that specifically deal with the communicative procedures other than a handful of single case studies (Burke and Jackson, 1992).

Structure

Structure, it has been determined, also plays an important part in the integration process following a merger or an acquisition. In this case, structure refers to the need for

one firm to be combined with the existing structure of another, or for a completely new structure to be formulated that would incorporate both firms (Nahavandi and Malekzadeh, 1993). When studying cross-border M&As, structure has also been defined as the level of formalization and the degree of centralization of decision-making authority by the head office or acquirer (Calori, Lubatkin, and Very, 1994).

In horizontal acquisitions, where the two parties have similar products or markets, the level of integrations is usually high because of the desire to create and harness synergies of the companies' interrelatedness (Weber, 1996). However, within the need to make structure or level of integration decisions, culture also plays an important role. It can be utilized to help manage major changes and to increase commitment in a newly merged firm (Pablo, 1994).

There are several frameworks for determining the structure of an M&A, most offering several types of structures and integration plans for combining the administrative and collective processes of the combining firms. In each of these frameworks, organizational culture has tended to be a major influence on the determination of type of structure, level of control, and the level of integration to implement (Cartwright and Cooper, 1993; Marks and Mirvis, 2001; Pablo, 1994).

Cartwright and Cooper (1993) liken structural change and integration to the ability to change or disperse a culture. They break mergers and acquisitions into three types based on the level of integration and culture change needed to succeed. In sum, these types are: extension mergers (Where a small level of integration occurs, and no real change occurs in the culture of the acquired company); collaborative mergers (Where the two firms of equal status are integrated in such a way that both cultures are seen to be

value added, and an attempt is made to create a combined culture); and redesign mergers (Where one firm is forced to adapt its entire processes and procedures to those of the other firm, and one culture totally displaces the other).

While Cartwright and Cooper (1993) detailed three possible merger integration structures, they found in their study that, in actuality, only redesign mergers were taking place, a fact they attributed to the acquired company expectations formulating the structure.

Marks and Mirvis (2001) offer a similar schema of integration types, adding one additional type: the "reverse takeover." This format has the same overall effect of the redesign merger detailed above, with the acquired firm being the one to dictate the structural and cultural changes that will be made during the integration process.

Overall, there are several methods of structural integration, each associated with a different level of cultural integration and level of control. Level of control, it is relevant to note, has been found to be linked to national cultural heritage (Calori, Lubatkin, and Very, 1994). Further to this, Calori, et al. (1994) discovered that a number of control systems are related to higher performance in M&As, systems which are moderated by the national culture of the acquirer.

Additionally, multiculturalism was found to have a negative impact on the level of structural integration, although it appears that in this case, "multiculturalism" referred to the diversity of the workforce, and not necessarily the diversity between two firms based in separate locations (Pablo, 1994). Still, the definition of a "multicultural firm as one that tolerates and encourages diversity, suggest that these results can be applied to cross-border merger and acquisition situations.

Leadership

In the merger and acquisition literature, the role of the senior management and the CEO of an organization have often been considered a critical factor in terms of integrating two culturally diverse organizations (Applebaum et al., 2000; Burke & Jackson, 1991; Marks & Mirvis, 2001; Pablo, 1994; Shearer et al. 2001). Even in M&A studies that do not evaluate the role of leadership, CEOs and senior managers are the most commonly utilized data collection points, often chosen over collecting information from regular employees (Risberg, 2001). This suggests an inherent belief that they, as opposed to general members of an organization, are the carriers and conveyors of culture.

When highlighting the importance of leaders in mergers and acquisitions, Specifically, they consider leaders as critical because the leaders (CEOs and top management) plan the merger or acquisition, decide upon the level of integration, and then guide the organization through the changes and conflicts.

Previously, in the strategy section of this review, the need for communication during the M&A process was expressed. Related to this thought is the question of who will convey the merger plan and priorities, and the process by which the communicated message will become a method of action. It is generally believed that this task of achieving buy-in is the mandate of the senior executives, the president, and the CEO (Applebaum, et al., 2000; Burke and Jackson, 1991; Calori et al., 1994; Marks and Mirvis, 2001b; Pablo, 1994; Shearer et al., 2001).

Also mentioned previously is the link between uncertainty and ambiguity within an acquisition process and increased absenteeism, increased levels of stress, and decrease in commitment (Schweiger and DeNisi, 1991). When uncertainty is high, there is an

opportune time for top management to influence the process of change by offering a structured path through the ambiguity (Pablo, 1994). To do this, the CEO and corporate leaders need to identify their vision for the future: where they want the company to go in the long term, the process by which they can get there, and the culture that will supplement and support the long term vision of the organization (Shearer, et al., 2001). This process can include defining the attitudes and values that the CEO would like to see become an intrinsic part of the new organization, and identifying behaviours needed to develop said values (Burke and Jackson, 1991).

Visions and strategies, however, can be affected by the origins of the CEO. While it has been found that CEOs drive change, there has also been a link discovered in terms of the effect of national culture on the CEO as an individual. It has been discovered that CEOs often see themselves as champions of the national culture that they represent. As such, any decisions they make, or changes they wish to implement, are likely influenced by the administrative history of the culture to which they belong (Weber, Shenkar, and Raveh, 1996).

Yet, coming up with a vision and an action plan are not enough to guarantee a successful integration. In addition to these, the commitment to the process must be lived and embodied by those in charge of the change. Only then will employees be inclined to accept the mandate for change. Marks and Mirvis (2001b) argue that this commitment should be stressed throughout the integration process as a way to "set the tone" of the merger, Applebaum, et al. (2000).

Nevertheless, suggesting the need for top management commitment, and the actuality of the commitment, are two different matters. In reality, following a merger or

an acquisition, it is the management staff who are the first to go, whether by their own choice, or by the mandate of the acquirer. It has been estimated that 50 percent or more of an acquired firm's top management leaves within the first year following a merger (Siehl and Smith, 1990). This number only increases when it is put in an international context. In terms of international M&As, when the acquiring firm is not from the acquired firm's country of origin, up to 75 percent of top managers leave within the first three years (Krug and Nigh, 2001). Considering these numbers, it seems peculiar that there have not been any definitive studies of top management retention in the wake of international mergers and acquisitions.

Culture

Before studying the effect of culture on M&A integration, it is necessary to offer a more general understanding of the nature of culture, both organizational and national. A commonly cited definition of organizational culture is that of Edgar Schein (1987), who considers it to be:

> The pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, and that have worked well enough to be considered valid, and therefore taught to new members. (Schein, 1987, Pg. 262)

Schein (1987) argues that there are three levels of culture that can be examined: the visible features of culture (artefacts), the drivers that govern behaviour (values), and the underlying beliefs held (basic assumptions). In order to properly study organizational culture, he suggests looking at the socialization of new members; incidents in the

company's history; and the beliefs, values, and assumptions of the CEO and senior management.

Gareth Morgan (1986) also explored the concept of organizational culture, utilizing the concept of metaphors to explain how organizations develop. Using the concept of an organization as a culture, he explains how the shared meaning systems utilized in organizations can be manipulated by making changes to the images or actions and values that drive corporate action. This concept of metaphorical thinking has appeared quite frequently in the literature, whereby the culture and structure of organizations are often explained by utilizing similar metaphorical terms, such as "mechanistic," "organic," and "cellular" (Miles and Snow, 1997; Reigle, 2001; Siehl and Smith, 1990).

While several methods exist for evaluating and mapping an organization's corporate culture, one that is often used is Cameron and Quinn's Competing Values Framework. (Dastmalchian, Lee, and Singh, 2000). This framework defines organizational culture in terms of two organizational effectiveness variables: flexibility/stability and internal/external control. The result is four types of culture: Clan (an employee focused, family oriented, empowered culture); Adhocracy (an adaptable, innovation, entrepreneurial driven culture); Hierarchy (a formalized, structured, and multi-level culture); and Market Oriented (a results driven, goal oriented, competitive culture).

In contrast to organizational culture, Geert Hofstede (1991) defines national culture as one into which a person is born to and immersed in; a culture that also incorporates shared meanings and shared relationships. Hofstede was one of the first

researchers to examine the difference between national and organizational cultures, and he determined that both national and organizational cultures were distinct concepts. His dimensions of national culture (individualism-collectivism, masculinity-femininity, uncertainty avoidance, power distance) became key to much of the research later completed on the effects of national culture on organizations.

In studies of mergers and acquisitions, culture is not always given the prominence of place it deserves. . Cartwright and Cooper, (1993) argue that a merger or an acquisition can be constituted as the breaking of the psychological contract held between employees and their companies. This breaking of the contract often leads to higher instances of stress, uncertainty, and fear. The aforementioned fact can be readily explained considering that most M&A decisions focus only on the financial and strategic outcomes, even though an incompatibility between organizational cultures is consistently the primary reason for failure in M&As (Cartwright and Cooper, 1993).

Linked with this idea of a broken psychological contract, and with many of the same negative effects, are the negative attributions often given to the acquired firm's culture in an M&A. Following an acquisition or merger, oftentimes the acquired firm's culture is seen in a negative light by the acquiring firm's culture, which can lead to conflict. Putting down a culture has been found to be the equivalent to putting down the employees who share the culture, as they are the ones that created and supported it (Applebaum, et al., 2000; Larrson and Lubatkin, 2001).

When two organizations must merge, there is also the need to consider what will follow, as there are hazards related to not having a well-defined culture in mind to replace or offset the pre-integrative cultures. Without a clearly defined culture, the process of

socialization and post merger integration is seriously impeded (Applebaum, et al., 2000). Socialization is a major factor in creating a new culture, even though it is not as formal as other processes of communication and strategy formulation (Bastien, 1987; Cooper, 1993; Shanley and Correa, 1992). It is argued that the use of social controls, the informal, relationship based controls, can in fact lead to better acculturation processes. This is based in Larrson and Lubatkin's (2001) research, which argues that regardless of pre-integration expectations, employees will create their own joint culture on their own volition if given the ability and the autonomy to do so. This naturally flows with the concept that critical incidents in a company's history are essential in building a core culture, (Shearer, Hanes and Runge, 2001) as these incidents are more likely to be incidental than planned.

The concept of socialization is also one that spans the gap between organizational and national culture considerations in mergers and acquisitions. It has been found that socialization actually decreases the likelihood of demotivation and conflict during the integration of cross-border firms (Calori, Lubatkin and Very, 1994; Larrson and Lubatkin, 2001).

The most interesting findings however, lie in the perceived usefulness of culture in determining post-acquisition integration. A fine paradox exists within research, at least in terms of whether national culture is a hindrance or a positive influence on integration and acculturation. Lubatkin and Very (1996) found that perceived cultural differences within cross-border firms actually elicit attraction in terms of mergers and acquisitions. They found that perceptions of attraction due to foreignness varied depending on the countries involved and the related dimensions of stress.

Further to this, more concrete evidence has been found to suggest that cultural distance actually enhances cross border acquisition performance. These studies find their reasoning in non-cultural related factors, arguing that the non-cultural related elements, such as the increased learning that comes from newly acquired national culture based processes, are enough to offset cultural differences (Morosini, Shane and Singh, 1998). This is in direct opposition to earlier studies suggesting the opposite (Jemison and Sitkin, 1986; Weber, 1996).

Overall, there has been a reasonable amount of research that has studied organizational culture and its influences on post M&A integration; however, there has also been a major dearth in comprehensive studies that look at the impact of national culture on international M&A acculturation processes. With the exception of a few studies, (Dastmalchian, Lee and Singh, 2000; Larrson and Lubatkin, 2001) most of the research does not draw concrete linkages between organizational culture and national culture and their interaction in terms of the level of integrative success following a merger or acquisition. The range of countries studied, and the methodologies utilized, does not bode well for a comprehensive framework for international M&As to be developed, at least not in the imminent future.

Limitations of the Literature

The previous literature review was aimed specifically at reviewing the literature with regard to the findings of studies that looked at variables associated with culture in terms of the integration process that follows a merger or an acquisition, and did not seek to address the limitations found in each study individually. Overall, a number of

limitations were found with the current research on these aspects of the integration process.

First, and most intrinsic, is the lack of research itself. While there were a reasonable number of studies on mergers and acquisitions, most of them were not relevant to the issues dealt with in this paper as they were not interested in culture, but rather in financial results, stock prices, and other such variables. Of the culturally relevant literature, most was organizational culture focused and grounded in examples of domestic, and often American, cases. This fault carried through to international M&As, as the research locations tended toward either Europe or the United States, with only a few exceptions (Dastmalchian, Lee and Singh, 2000). As a result, it is difficult to generalise the findings, and more research is necessary in other parts of the world.

Moreover, the research examined rarely considered the significance of time when determining which M&As to study. Most did not study a merger beyond the first six months, even with the knowledge that 12-18 months at a minimum would be the most appropriate time to take stalk of a merger or acquisition. In fact, it has been argued that to really gauge the long-term effects of M&As, from five to seven years past the official merger date is needed (Applebaum et al., 2000).

Furthermore, there also appeared to be a management based approach to studying mergers and acquisitions, with all but one or two large scale studies, and a handful of case studies actually involving the employees themselves in the data collection stage. This bears evaluating in terms of perspective, and whether or not major differences would be found if more studies were to evaluate culture from the point of view of the employee base (Risberg, 2001).

Propositions

This study examines the influence of culture on the acculturation process following a merger or an acquisition. As such, it is important to begin with a look at the differences between the two organizations involved in the M&A individually. As such, the first question this project addressed was:

> 1. How did the two companies differ with regard to their organizational and
>
>   national cultures?

In light of the research that suggests the importance of the communication strategy in the post-acquisition integration process, it is also interesting to consider Creo's methods of communication throughout the merger. There were a number of concerns raised over the long-term strategic decisions of the leadership regarding the communication of a business strategy and long-term product objectives. Considering this, the second question this study examined was:

> 2. How did national and organizational cultures of the two firms influence the
>
>   communication process throughout the acquisition?

In addition, the structure of Creo's acquisition of Scitex is inherently unique. This is especially interesting considering Creo employed approximately 1600 individuals at the time of the acquisition, whereas the acquired company employed approximately 2600 individuals. The different national cultures of Canada and Israel could also have a major impact on the organizational structure, and consequently on the integration process. Therefore, question 3 was:

> 3. How did the national and organizational cultures of the two firms impact the
>
>   overall structural integration of Creo and Scitex?

Within the case, it also appears essential to include an analysis of the top management in terms of setting the overall tone of the acquisition. As such, the leadership team in terms of its ability to conduct the acquisition, and its decisions and actions, was also examined.

4. Why did the Creo management select the courses of action it did throughout the acquisition process?

Overall, culture will be looked at holistically, in terms of the integration of strategy, structure, and leadership, and more independently, in terms of how the culture itself is defined. As an encapsulating question, this project sought to discover:

5. How did Creo manage to overcome the difficulties it encountered during its acquisition of Scitex?

Finally, considering the nature of the study, it is important to consider what this case has to offer to other organizations considering cross-border acquisitions. Therefore,

6. How does the Creo case offer value to other organizations considering a cross border merger or acquisition?

Case Selection

There were several reasons for conducting this case study, most importantly the location of the firm and the availability of access. Creo is a multinational company with its global headquarters based in Burnaby, B.C., a location offering unique access to corporate decision-makers at a relatively low economic cost. In addition, during an information-gathering meeting, the HR department at Creo was quite supportive of the project. The company has suggested that there is a lot to be learned from its experience

and believes that if it does not find a method to record the events and outcomes of the acquisition forthwith, the capability for future learning will be lost. At the time, the company had made no attempt to keep a record of the acquisition and subsequent integration processes.

Second, the ability to interview both employees and managers was essential for this project, and the access to, and interest of, several key individuals was attained from the beginning. This is complemented by the fact that the access to internal information was quite substantial, as was the willingness of the contact person to track down and pass on relevant information. Access to employee manuals, annual reports, internal employee attitude surveys and the other relevant information added a level of analysis that in another company might not have been available.

Third, the geographical locations of the two firms are underrepresented in previous research. While Canada has been the focus of several M&A studies, most recently one by Dastmalchian, Lee, and Singh (2000), Israeli companies have never been examined. This added a uniqueness value to the case study, making it of interest not only because of the nature of the acquisition, but also for the unique locations of the acquiring and acquired firms.

CHAPTER TWO: METHODOLOGY

Strategy of Investigation

A case study has distinct advantages when a "how" or "why" question is being asked about a contemporary event, or set of events, over which the researcher has little or no control (Yin, 1989). This format is uniquely suited to the case of Creo and Scitex's integration as it is an event that has already occurred, yet one which cannot be perfectly bound in terms of time and place. For example, while the merger occurred in 2000, events prior to the official announcement might have also have impacted the integration process.

In addition, a case study often allows for the usage of multiple sources of evidence, rather than solely experimental or survey data (Yin, 1989). In this particular case, the methods included mainly qualitative methods of research. These methods included interviews, corporate document analysis, and secondary data analysis such as employee surveys.

Data Collection Methods

The data collection stages consisted of several processes; each designed to better triangulate the findings of the study. These processes included: semi-structured interviews, analysis of internal company documents, and the use of secondary documents such as previously held employee surveys.

Yin (1989) suggests that key informants are essential to the management of a case study, and structured or focused interviews can be a reliable way to collect information, whether that information is exploratory or corroboratory in nature. In addition, interviews are often used to gain historical information about an event (Cresswell, 2003). In terms of

this study, the goal was to conduct a finite series of focused interviews, each one hour in length, so as to gain insight into the degree of importance given to strategy, structure, and leadership, by managers and employees, and their perceptions with regard to the impact of the overall culture on the integration process.

The interviews also offer a unique opportunity to gain examples and real life occurrences that would not have been gained in a quantitative survey. In terms of deciding on an interview protocol, a list of thirty questions was originally formulated, and then reduced down to fourteen following a pre-test with students at Simon Fraser University and meetings with two faculty members. This allowed for any misleading questions to be reworded, and for additional questions to be asked when the questions did not cover all the essential data points.

Additionally, as a more time relevant source of information, primary documents from Creo and Scitex were analysed. First, the employee manuals utilized by each company prior to the acquisition were attained, and offered some valuable insight into each organization. Second, the Creo organization had conducted a series of Employee Attitude Surveys over the past five years. One pre-acquisition survey was conducted in 1998; in addition post-acquisition surveys were conducted in April 2001 and February 2003. Finally, internal turnover statistics and internal presentations given by the organization were collected with the understanding that these would also be helpful in building a larger picture of the acquisition process. Overall, these documents helped to build a clearer timeline of events, in addition to adding corroboration to the actual interviews themselves.

Finally, a search was also conducted for external secondary documents in trade journals, magazines, and newspapers. These acted as a means to encapsulate the acquisition within a timeframe, and offered a method of determining the boundaries of the case study. In addition, these secondary data tools added insight into limitations within the case resulting from externally driven factors.

Sample

As mentioned earlier, key informants often play a major role in the case study process. This is largely due to their ability to provide unique insights into the case at hand, and also to point the researcher in the direction of corroboratory information and evidence (Yin, 1984). In this case study, the original key informants included three of the organization's global decision makers, in addition to three employees who worked for the Creo Canada prior to the acquisition. Over the course of the study, the number of informants was expanded to include three employees who originally worked for Scitex in Israel.

Data Collection Phase

Interviews

A preliminary, information gathering, interview was conducted in January 2003, where the general progression of the acquisition was conveyed, in addition to laying the groundwork for the management interviews that would follow. In the following months, additional in-depth interviews were also planned with employees of the Creo Canada organization, fortunately with each employee coming from a different department within the organization. These initial interviews were conducted between March 15, 2003 and April 10, 2003. An internal contact further assisted this project by linking the researcher with members of the former Scitex organization who were currently in Canada on

assignment. As a result, three supplementary interviews took place between May 6, 2003 and May 15, 2003. In total 8 interviews were held over a two month period.

An interview protocol was formulated consisting of sixteen questions and a number of possible probes. The interview questions (See Appendix B) range from information questions regarding the informant's background to questions regarding their perceptions of Creo's culture prior to the acquisition, questions regarding the integration process, and reflective questions on what might have been done differently. During the interviews, the participants were given a brief introduction to the project before being asked if the interview could be recorded, with the understanding that their names would not be recorded and that their participation was voluntary. In addition, the researcher took strategic notes in the event that problems occur with the recording device.

Internal Documents

The collection of internal documents occurred prior to the first in-depth interviews. The information accumulated included the summary statistics for the Global Employee Attitude Surveys conducted by Creo in 1998, 2001, and 2003. In addition, as a publicly traded company, most of Creo's financial information is readily available; the relevant reports have been gathered for the past three years. The turnover statistics for the last several years have also been collected, unfortunately, the firm did not make a record of voluntary versus non-voluntary turnover. Press releases relevant to the acquisition were also assembled, including those announcing the initial acquisition, and those surrounding the re-branding in 2002. Finally, the employee handbooks for each firm prior to the acquisition, and the current manual, were also examined.

External Documents:

A general online search was made for articles relevant to the acquisition. This included the major English newspapers within Canada and Israel, in addition to relevant industry magazines and journals. While most of these articles only offered the information provided by the company in the press releases, several added additional outside perspectives on the success of the acquisition.

Data Analysis

Interviews

The data analysis phase began with an analysis of the interviews. Each interview was tape recorded and then transcribed by the interviewer. From these transcripts several different types of knowledge were organized. First, a case chronology was developed across the interviews, in order to build a time frame for the integration process and to develop a general description of the case. Second, the interview data was organized using the theme/coding method, a method outlined in qualitative research texts (Atkinson & Coffey, 1996; Creswell, 2003; Kvale, 1996; Yin, 1984).

According to Atkinson and Coffey (1996, pg 27), coding consists of "condensing the bulk of the data sets into analysable units by creating categories within and from the data" The interview data was separated into relevant themes using Nahavandi and Malekzadeh's (1993) framework, in addition to separation according to repetitive thoughts, and events.

Following this, a descriptive case was created to convey the acquisition events in a chronological manner. Events were separated into three time periods: pre-acquisition, integration, and the present, with a subsection on the actual acquisition announcement itself. To meet the needs of this case, pre-acquisition refers to the time period prior to the

official announcement, integration refers to the period from the initial announcement to January 2003, and the present refers to the Creo organization as it appeared between February 2003 and May 15, 2003. For each time period, to assist with the overall analysis of the case, the time periods described in the case were further structured along Nahavandi and Malekzadeh's (1993) framework of acculturation/integration. This descriptive case is offered in the following section.

CHAPTER THREE: CASE STUDY

A common approach to presenting a case study is to frame it in the context in which the events occurred, and to present it in terms of the chronological events that took place (Yin, 1984). With this in mind, the figure following is a timeline of key events which occurred during the Creo acquisition of Scitex. Only the events that were documented and/or mentioned in the interviews were included in this table.

Year	Month	Event
2003	February:	Global employee survey
	June:	"Product Roadmap" meetings
	January:	"Product Roadmap" meetings
2002	January:	Change of name from Creo-Scitex back to Creo
	November:	Notice of impending name change
	June:	"Product Roadmap" meetings
	March:	Global employee survey
2001	January:	"Product Roadmap" meetings
	April 1:	Official start date of Creo-Scitex
	February:	Boston Meetings "The Boston Principles" were formulated
2000	January 18:	Announcement of Creo's Acquisition of Scitex's digital preprint business
1999	July 29:	Creo's Initial Public Offering (IPO)

Figure 1: Creo Acquisition of Scitex: Timeline of Events

This case study also takes the chronology approach because of the inherent nature of M&As to be split up into the pre-during-post phases of the integration process. As for the structure of this particular case study, first it will set the environmental context of the acquisition, then it will examine the background of the two legacy organizations, the acquisition itself, the integration process, and the Creo organization as it is today.

Environmental Context

Leading up to the acquisition, the global economy was reaching a peak. The global markets were strong, with both the Dow Jones Industrial Average (DJIA) and the Nasdaq indices breaking records on a daily basis. The DJIA's 1999 close was the highest ever at 11497.12, 25% higher than the previous year's close (DJIA, 2003). The Nasdaq also was at a peak, closing the year at over 4069, up 85% from 1998 (Spectrum Commodities, 2000). Much of this resulted from the still rapidly growing high tech sector, which was still predominating, and the dot.com bubble, which had not yet burst.

Shortly after the acquisition announcement, however, the economy slowed. The dot.com bubble burst in early 2000, and upon reaching an all time high of 5, 048, the Nasdaq turned downward and hit a 27 month low of 1923.48 just 12 month later (Spectrum Commodities, 2000). The DJIA faired a little better, only dropping 1000 points over the course of the year 2000. In 2001, the economy slowed further as the US entered a recession, followed by Canada. This, combined with the effects of September 11th took a toll on the global economy. 2002 brought no better news, with the Enron and Worldcom scandals instilling fear in investors and causing havoc with the expectations of

investors and economists. These scandals likely attributed to the DJIA reaching a five

year low of 7386.27 (DJIA, 2003).

What do the stock market fluctuations signify, from an economic view? "In the

20th century, we have never had a strong, sustained economic recovery when the stock

market is meaningfully down," said economist Barbara of Hoenig & Co, in the

Washington Post (2002, Pg. A4). It is important that this fluctuating economy be kept in

mind when reviewing the rest of the case.

In terms of the printing industry in which both Creo and Scitex operated, it was

stable and mature when compared to other high technology fields. Creo, in its IPO

prospectus, described the industry as:

> The commercial printing industry is mature, fragmented, and highly
> competitive, is therefore characterized by narrow profit margins. In
> addition, printers face increasing demands from customers for tighter
> deadlines, better and more consistent colour quality, and shorter print runs,
> and greater customization of print jobs (Creo Prospectus, 1999).

Still, the internet was seeding trouble for the printing industry, and prompting

companies to action. At a Publishing Conference held in February 2000, the editor of the

Seybold Report, one of the pre-eminent printing industry magazines, suggested that,

> One of the benefits of the Internet is it will force a restructuring of the
> printing industry, to get much more efficient companies. And I think the
> other you're seeing from that, that those companies that do succeed will be
> recognizing that business is a digital business and they've got to invest in
> increasing their efficiencies, increasing the ways they improve their
> communication with their clients, and so e-business is a great opportunity
> for them, digital print is a great opportunity for them. But I would
> certainly see a significant fallout in the printing industry, perhaps 15 to 20
> percent of all companies will not be here in five years time, and maybe a
> significant amount of linking together and niche structuring. (Tribute,
> 2000)

It was in this environment, where the stock indices were high, the economy on an upward swing with no indication of a downturn forthcoming, and the printing industry was on the verge of restructuring, that Creo's acquisition of Scitex took place.

Background
Creo Products Inc.

Creo was a relatively young company, founded in Burnaby, British Columbia in 1983 by Dan Gelbart and Ken Spencer. The company's core focus lay in digital printing hardware and software solutions, notably the cost effective colour-computer to plate imagining system. These solutions were aimed at the commercial printing industry, and eliminated a number of steps from the normal prepress process by transmitting computer text and graphics directly to printing plates rather than using film to separate colours. According to the Creo prospectus from 1999, Creo's solutions integrated:

- Input devices which digitise film separations;

- Workflow software, which manages the flow of data as it is processed and prepared for output;

- Proofing systems, which are used to check color and layout by creating a digital simulated copy of what the final print job will look like; and

- Output devices, which transfer data onto plates for use on a printing press.

In addition, Creo aimed to meet four strategic needs of its customers: end-to-end pre-press solutions (from scanners to output devices), open architecture and connectivity (compatible with customer's existing prepress equipment), modularity and versatility (to

meet the wide variety of customer needs), and knowledgeable and comprehensive customer support. (Creo Prospectus, 1999)

Prior to the acquisition, Creo's two manufacturing and operating facilities were located in British Columbia, with sales in 32 countries worldwide, yet focused mainly in Canada, Japan, the United States and Europe, with the US and Europe generating the most revenue for the organization. In 1999, revenue in these two regions was $105,953,000 and $56,252,000 respectively (Creo Prospectus, 1999).

From the creation of the company, there was a strong emphasis on shaping a culture that was conducive with the founders' ideals and basic principles around human nature. Foremost of these, appears to be a desire to treat the employees as the adults they are – giving them the authority and capability to make their own decisions and align their own objectives with the corporate ones. *"It was this notion of people acting like adults and managing themselves, without looking for a manager to tell them what to do,"* one manager explained.

In terms of culture, all pre-acquisition Creo employees interviewed were in agreement that Creo was indeed a people-centric firm that put strong emphasis on its trust and belief in its employees. As one employee said, *"Extending trust to the employees was one of the cardinal principles that Creo had in its inception, and I think people rose to that expectation. It gave a sense of cooperation to the company that helped it grow as quickly as it did."*

This trust was instilled early in Creo employees, not only during their orientation, but all throughout their selection process. Aspirant Creoites were forced to undergo a

stringent selection process, aimed entirely at filtering out those who would not fit with the Creo culture.

The views on the selection process were quite revealing, in terms of the focus on culture fit. One employee explained,

> *"We test, and we check your references, and we do lots of interviews where you have to say the same things over and over again and not get exhausted. It wasn't vindictive – but it was a weeding out process. Like, if you can't get through this, then – no, you're not going to do very well here."*

A second employee further clarified, *"We don't usually interview people if we don't think they can do the job – we actually interview people to see whether they would fit in with the group or not."*

As a result of employees being vetted for a certain level of culture fit, Creo managed to foster a work environment that was quite conducive to a well received and widely shared culture. Several employees suggested that prior to the merger there was a sense of unity and affinity with the company as a whole, above and beyond what they had felt in previous positions outside of the company. This relationship was characterized several times by the metaphor of a family – where everyone within the organization felt a kinship with each other and the organization as a whole.

In a 1998 employee survey, 99% of all Creo employees surveyed were found to be aware of Creo's core principles, values, and mission. This same percentage of employees was also proud to work at Creo. These numbers positively reinforce the information provided by those interviewed, and appear to suggest that Creo did have a coherent and understandable culture that was to some extent shared.

The founders of Creo, Ken Spencer and Dan Gelbart, originally worked together at a firm located in Vancouver, British Columbia, before coming together to form Creo in 1983. While Gelbart was rarely mentioned during the interviews, Ken Spencer appears to have made a large impact on the shaping of the culture of the firm. Even employees who came to Creo in the late 1990's suggest that Mr. Spencer played a significant role in setting the culture of the organization for the years prior to the acquisition of Scitex. One employee related,

> " He [Mr. Spencer] said that it is one thing to have the core values of the company, but how do we build a culture that reinforced it rather than naysays it? And that is where peer review was actually critical because by putting in peer review, you ensured non-hierarchical behavior because it wasn't to your advantage to step on your colleagues in order to make yourself appear good to your boss, as your boss had no more influence onto your evaluation than the people you worked with. "

The leadership of Creo tied actions to words, in other words. Whether called "peer review" or "360 degree evaluation," many of the former Creoites interviewed suggested that the ability to review their co-workers and bosses helped to define the culture and allow it to work as well as it was originally envisioned by Ken Spencer and Dan Gelbart. Other leadership initiatives, such as flextime and unit presidency, also reiterated the belief the leadership team had in its people.

While the question of trust in the overall leadership of the firm was not asked in the 1998 employee survey, 73% of those surveyed agreed that their team leader offered clear feedback on their performance. This helps to show that not only did the organization believe in their core values, but it also put into place the necessary tools to help ingrain the values into the organizational culture.

In fact, the actual organizational structure of the firm was rarely offered and was not published in the employee handbook because the organization felt that publishing an organizational chart could detract employees from concentrating on their jobs, and swing the focus away from self-management to climbing the corporate ladder. Creo was also unique in terms of its organizational structure, a structure that took root from the foundation of the organization. According to the pre-acquisition company handbook, one of Creo's key strategies was to maintain the Creo corporate culture. The handbook reads:

> Since its inception, Creo has cultivated a unique corporate culture that emphasises the independence and accountability of each of its Creoites, and actively seeks to involve all Creoites in the Operations of the Company. This culture fosters creativity, innovation, and the freedom to make decisions quickly. (Creo Employee Handbook, 1998)

Of course, what is written in a company handbook, and the truth that is actually practiced, can often be different. However, the handbook was echoed by at least one manager when describing the original vision of the founders:

> *"The culture of the company stemmed from the founders' desires for us not to have a typical command and control structure. They wanted everybody to be partners in the enterprise, and in doing so, didn't want a management hierarchy...they wanted to decentralize, prune the decision making process, so you didn't have to put your hand up and ask to do this or do that – and that included decentralizing authority to spend money, spend money based on sound economical decision making."*

What resulted from this unique outlook could be characterized as a typically flat organization, and yet Creo took the concept even farther. At Creo, four out of the five people interviewed mentioned the company's use of personal management, or unit presidency. *"Each person is the president of his or her own job,"* was the description given by two employees when asked about the company's structure. Yet, it was not only the concept of personal management that allowed Creo to thrive: it was the embodiment

of the core principles and values that were lived during the day-to-day operations of the organization.

Moreover, with regard to the Creo culture and core principles, the corporate philosophy appears to offer further insight into Creo's specific strategy with regard to its management of people. This philosophy was set out in the Creo employee handbook (1998), where Creo stated that it would operate as a company that:

- Will be open and communicate within the organization everything that is practical to communicate

- Will not tolerate politics

- Will sustain an environment in which the individual can have an impact without fighting bureaucracy. We consider ourselves members of teams rather than hierarchies.

- Encourages decentralized decision-making, and make decisions with the team affected. We call upon everyone to be completely in charge of his or her own job.

These written principles only offer reiteration of the overall culture of Creo already mentioned in the previous sections, and add further evidence of the high priority given to the management and development of people in the organization. This HR strategy was affirmed by each of the employees and managers interviewed.

In terms of the 1998 employee attitude survey, 99% of employees interviewed stated that they were, *"aware of how my performance contributes to Creo achieving its objectives."* This degree of support indicates that employees, possibly as a result of the

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unit presidency concept, were more cognisant of the objectives of the organization. This result could also have been linked with the 96% of employees who felt motivated to contribute their best to Creo, and also to the 78% that agreed that there was a minimum of politics at Creo.

This can be seen in the fact that employees felt able to make decisions when necessary, even when the decisions did not necessarily agree with written policies of the firm. As one employee related,

> *"Creo also tried to avoid following procedures blindly. We would have procedures sort of as guidelines. But, if you had a decent reason not to follow procedure, then no one really bothered you about it. We tended to do things first and then fill out the paperwork after."*

This employee's statement only reaffirms the trust and responsibility that Creo placed in its employees, a trust that the employees themselves did not appear to take lightly.

Creo approached strategy with the same keen eye it placed on shaping culture. While Creo did have a number of key strategies that acted as a directional framework for the organization's future, it is not the concrete business strategies themselves that need be mentioned herein. Rather, it is the view Creo took with regard to the shaping of business strategy and the continued trust in its employees to share in the strategy and make it work to the company's advantage. Linking strategy with structure, one manager mentioned that employees were not only prompted to make their own decisions, but they were also taught to make the decisions based on sound economic thinking. This was echoed in an employee's remarks:

"I think the CEO has really emphasized that if everyone understands the microeconomics of demand curves and supply, then you can make better local decisions, even if you don't know the entire global scope of things – you can at least make economic decisions on your own."

Allowing employees to make decisions determined and emphasised the need for information sharing within the firm, so that each employee was aware of the overall Creo corporate strategy, and thus the impact of any decisions that he or she made. Before Creo acquired Scitex, one employee thought this was relatively easy to manage because:

"Everyone knew what was going on. The opportunity for the informal information sharing was much easier. Even if I was working doing demos and benchmarks, I knew when the guys building the office parts were having a problem. We heard discussions during lunch. Upcoming corporate strategy, we all knew about while it was being developed because we would just bump into people in the hall, or we would just hear it second or third hand."

Overall, it appears that Creo managed to maintain its founders' ideals of forming a company with limited hierarchy. The organization as a whole appeared to incorporate the structure, strategy, and leadership necessary to build a unique and strong corporate culture that was widely shared throughout the organization. This culture of self-management, peer review, and shared knowledge, was concrete and highly shared in the days leading up to the acquisition of Scitex.

Scitex Corporation Ltd.

Scientific Technology was founded in Tel Aviv Israel in 1968, by Ephraim Arazi, where it became known for producing equipment for the military. In 1971, the company shifted its focus towards scanning for the knitting and other industries. With this shift, the name of the organization was changed to Scitex. Scitex expanded over the next two decades, becoming a leading producer of printing technology. It created the first integrated digital front-end for output devices. Prior to its acquisition, Scitex operated a

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network of related companies aimed at combining digital imaging technology with the internet to create more visually effective business communications. The company's products were based on inkjet technology, and produced hardcopy output from digital files coming from a computer. Output of the systems Scitex created included everything from high-speed printing for billing and statements, to more diversified output such as outdoor advertising posters and point of sales displays (SEC Filing, 1999).

Scitex's global presence and distribution system was unparalleled, and the company was highly respected for the quality of its equipment. It had manufacturing facilities in both Israel and the United States, and its subsidiaries had manufacturing facilities in Germany. In addition, support and sales facilities were located in the US, Israel, Japan, and the Pacific, with the US and Europe having the highest revenues at $318,927,000 and $259,062,000 respectively (SEC Filing, 1999).

It is difficult to frame the culture the founder of Scitex wished to create when the company was formed in the early 1970's. However, the impressions of the former Scitex people interviewed suggest that the company strived for excellence, and for many years was indeed the flagship high tech company in the country. In the beginning, one former Scitex employee described:

> *"In the eighties, when it did very well, it was a huge honour to be a part of Scitex. And it was difficult to get into Scitex. And when you compared the benefits and everything they had at Scitex – it was like, wow – you know, what a company to work with."*

A second employee explained further:

> *"The company tried a lot to make, to put as much as they can to make the place happy. And I think employees were happy at Scitex. They were*

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happy because they could think and do what they want to do, and they were treated very honestly and respectfully."

When asked about culture, most of the Scitex employees focused on the brand recognition and the honour it used to be to work at a company that was so well recognised. Even when pressed, they were hard pressed to give any specific traits that generally described the culture at Scitex. Much of this could be the fact that, of the three, none had worked at Scitex for more than three years prior to the joining with Scitex.

This might have an impact on their views of the overall culture, as one employee explained, *"And when I joined actually - It* [Scitex] *was really dying. So, in terms of culture, it was still okay – people could say whatever it was – it really depends on the personality of the person."*

Overall, the culture of Scitex before the acquisition appears to have been negatively affected by the state of the organization, and the depth of its downfall. While it had once been considered one of the best places to work – where people were proud to consider themselves to be a part of the organization, in the later half of the nineties, this did not remain the case. Although, even then, there were contradictions between those interviewed as to the degree the culture was still shared.

One employee, who worked with Intel Israel before moving to Scitex, offered the opinion,

> *"Scitex was in a very bad condition. So, it was very obvious that the management wanted to sell the company. And, before Creo, there were rumours about Xerox ...It was always in the financial newspaper in Israel, were talk about Scitex is going to be sold to this and sold to that. So, I believe that in general it [the culture] wasn't shared."*

A second employee maintained the opposite:

> *"Scitex was a very, very strong brand in Israel. Even in the bad days, it was still considered good to work in Scitex – even when I joined. When I said I was going to work for Scitex ...people said, "Eh, you're going to Scitex – it's a good company." Scitex was known in the Industry; they had a great big install base; they had lots of customers. So, I think people did associate with the company strongly."*

The lack of agreement between interviewees is not hard to believe, considering the values the organization wanted to foster within its people were never highly defined. From what each of the interviewees said, it appeared that the organization as a whole was focused more on technical competence and brand enhancement than it was on the character of the people that it hired.

This mixture of sentiment towards the culture of Scitex was also reflected in the employees' views of Scitex's top management, just prior to its acquisition by Creo. While two of the employees interviewed did not have much knowledge with regard to the leadership of the Scitex organization, one employee did hold very strong views of the management team that sold Scitex's pre-press division to Creo; these views were mainly negative, and cast in such a way that it was the shareholders who were not getting the proper worth of the company, as opposed to the employees who worked for the pre-press division. This employee stated that,

> *"From the Scitex point of view, they [board of directors] wanted to replace the management without – they didn't have to choose the new management, they don't need to give them one year notice - for compassion. They just say, we are new. And we have to replace the management with the growth management. So, they took 30% percent of Creo for joint company, but give Creo all the control."*

The management, this employee went further to explain, had been offered $25 a share in 1997, and turned it down – only to have the overall stock value of Scitex drop low enough to make the organization prime acquisition materiel. All this, the employee blames on the management, and more directly on the chairman of the board of directors, who thought by *"breaking Scitex up into little pieces, he would get more ...much more value than just having Scitex. In reality, that didn't happen."*

The top management of the organization was also responsible for developing corporate strategy at Scitex and, as such, the strategies developed were not well known among the general employees. This lack of knowledge, however, was not considered to be a major problem by the employees interviewed, when they related information regarding the level of control within the organization. There were both positives and negatives to the amount of information that was passed down to the employees, as one employee suggested:

> *"The structure was more hierarchy and there were more politics, but the management level tried not to communicate all the politics and all the things that happened down to the employees, to the teams – So, the managers filtered lots of information. Good information and bad information. So, there were advantages and disadvantages."*

Overall, the view of the business strategy was relatively dim and even slightly negative in the time leading up to the merger. Much of this negativity was placed upon the Scitex management team, and not on the overall strategy of the company. Unfortunately, without access to former Scitex management personnel, it is difficult to offer a more comprehensive look at the Scitex business strategy.

In terms of the structure of the organization, the former Scitex employees were more forthcoming. All three emphasised that at Scitex there was a well-defined corporate

structure, and each employee knew exactly where he or she fit in the overall organization. And to each, this structure did not appear constraining or restrictive in any way. One employee related,

> *"You had a team lead, and your team lead was your professional team lead but he wasn't the one that decides what is your salary and what is your benefits. So, they had different terms for team leads and managers that are actually responsible for salaries and everything. But, I understood exactly who I am reporting to, and who he reported to, and who he reported to. It was a very defined structure. In the IT department, I didn't feel that it's too much or too less – it just made sense. And I actually liked that."*

The structure of the Scitex organization was apparent in all of the daily operations of the organization. For example, the procedures manual, detailing all the rules of the organization, was kept strictly confidential and in the care of managers of the organization. At 128 pages in length, it detailed everything from incentive pay to relocation. In addition, the first page of the manual was a form to be signed, guaranteeing that it would not be distributed to any employee.

This formal hierarchical structure was also apparent in less obvious areas, from office space to travel allowances. One employee mentioned that, *"there is a lot of status symbols. All VPs flew the first class always, had better hotels and stuff like that. And rooms - team leads get room, no team leads get open space."*

Budget controls, decision making, all authority was well planned and succinct, and very rarely in the control of a standard employee. This sometimes was frustrating, as can be seen in the following employee example:

> *"A friend of mine was in an accident – a car accident, and she had a sore back – and she really needed a chair with arms. Now, arms cost probably ten bucks an arm, and she had to go to the guy – you know, the facility guy*

and said that she needed the arms, and he asked for a doctor – a letter
from the doctor. That is really stupid because, even if she lied, which is a
very low possibility, what difference does it make?"

Yet, the level of control and structure was not considered a bad thing for the

employees of Scitex, in fact, all three employees considered that the level of hierarchy

was normal, and not overly restrictive. One even suggested that the level of hierarchy

left the employees to do their jobs, so they did not have to worry about strategy because

their were managers and vice presidents to worry about it instead.

The one sphere where leadership of the organization was not direct was in the

realm of international expansion. In a contradiction of its complex control hierarchy,

Scitex maintained little control over its foreign subsidiaries. In fact, this subsidiary

management was identified by one employee as, *"subsidiaries could actually do*

whatever the heck they wanted, even when it didn't make sense to the company as a

whole." Part of the difference in subsidiary management was attributed to the

Management by Objectives (MBO) policy of Scitex towards the officers in its foreign

subsidiaries. As one employee conveyed:

> *"The end sum of it was because of the MBO – so, people in the regions*
> *were paid in cash for achievements. So in many cases, I saw that, they,*
> *kind of sometimes changed the numbers or these things that hurt the*
> *overall performance but improved or benefited their own pocket. Now,*
> *it's hard to blame them really, because this is how they are compensated.*
> *So, the metrics was wrong. So subsidiaries could do many things*
> *independently, and it was very hard to control them."*

Overall, it appears that Scitex did not have an overt leadership strategy, nor did it

have a well define structure at the time of the acquisition by Creo. While the corporate

culture, as it pertained to brand recognition in the marketplace was strong, the actual

internal culture was degrading. Without interviews with senior management of the

former Scitex, it is hard to define the culture it changed from, however, all three of the employees stated that the culture of Scitex in the 1980s and early 1990s was much more employee oriented than it was at the end – at least that is what they had been told by those who had been with Scitex for greater periods of time.

The Acquisition

> *On January 18, Creo Products Inc., Vancouver, B.C., and Scitex Corporation Ltd., Herzlia, Israel, announced an agreement to combine their prepress businesses. In the deal, Creo would acquire Scitex's digital preprint business in exchange for 13.25 million shares, a transaction valued at about $537 million, while Scitex would acquire 27% of Creo's outstanding shares.*
>
> *The new entity, tentatively named Creo/Scitex and involving some 4,200 employees worldwide, is to operate as a Creo division, offering both the current Creo and Scitex product lines ... (Graphic Arts Monthly, February 2000).*

Rationale

Rumours of a merger were being exchanged, especially in the Scitex offices, right up until the acquisition announcement. Creo, however, was not the name being touted – it was Xerox. According to all former Scitex employees interviewed, they had barely heard of Creo as an organization and so were relatively surprised when they found out they were being acquired by the small firm in Canada.

On the Creo side, the rumours were slightly more substantial. There was a concrete understanding of Scitex as Creo's chief competitor, and following the Initial Public Offering, there were rumours of what would be done with the money raised. As one employee elucidated, *"It was soon after our IPO. At least, I heard a rumor of it ... what are we going to do with all this cash that we've gotten – from the high stock value? We were going to go after Scitex."*

The official rationale for the acquisition, from a management perspective, was the competitive environment of the pre-press industry, and the future oriented outlook that saw the Creo and Scitex products shifting towards becoming commodity items, similar to the cycle of development for personal computers. One former Creo manager explained:

> *"So our CEO and the CEO of Scitex at the time ... figured out that if we didn't merge the two entities together, we would probably spend all our effort fighting with one another, and while we would be fighting with one another, the other competitors would start to eat the market share. So, we felt it made the utmost sense to merge the pre-press division of Scitex with Creo and focus the strongest players in the industry on dominating that space and growing that space – so that was the primary driver. For Creo – also one of the limiters going forward was our distribution network, and so, one of the very important side benefits was we acquired channels that enabled us to distribute products worldwide."*

The competitive environment was echoed by all of the employees interviewed as the main reason for the acquisition, with four directly stating that the nature of the industry was such that direct competition could have hindered both companies in the long term. One former Creo employee illustrated that the effects of a price war between two major pre-press manufacturers would come down to, *"whoever has the bigger war chest will win, because you can just burn cash longer and drive the other one into the ground;"* and so, it was opportunistic for Creo to acquire Scitex at the time that it did, to strengthen its own position in the market.

Announcement

The announcement of the acquisition was done in an approach that illustrated management's desire to frame the acquisition as a merger. As a public company, the employees could not receive much forewarning and only received a half-day notice over the general public. An email was sent out to all staff of both organizations, announcing a general meeting the following day. The meeting, carefully orchestrated by the Creo

management team, was held in Vancouver and broadcast by live video link to the Scitex and Creo offices worldwide. This method of instantaneous communication was one of the key quandaries of the cross-border deal. One manager explained:

> *"You also have to factor in different languages, different time zones, and different technologies. We worked hard at putting together, not only a press release, but a release to the employees, frequently asked questions document, special intranet sites, special email sites, but, what we conducted globally, is we synchronized a global meeting ... we had the CEO deliver the message to the employees, and beyond that we had, ongoing Q&A sessions, so it was a huge undertaking to communicate this message."*

Overall, the initial communication of the acquisition was done exceptionally well, according to both former Scitex and former Creo employees. The CEO of Creo at the time traveled worldwide and made a point of stating that it was truly going to be a merger of two partners, and not a typical acquisition. In fact, in all of the information given to former Creo and Scitex employees, it was the emphasis that it was a merger that stood out. This was represented in the manner of the announcement, where everyone heard the news at the same time, and also in the chosen name for the new organization.

The decision to rename the company Creo-Scitex can also be seen as a major symbol of the atmosphere Creo wanted to set in terms of the acquisition. It was a symbolic gesture aimed at appeasing the Scitex management, the employees, and the shareholders, a symbol that actively stated that while it might legally be an acquisition, it would be treated like a merger. Unfortunately, it was also the emphasis on "merger" that later became the major point of contention during the integration phase. For while the leadership team was calling the acquisition a merger, its actions over the integration phase did not always agree with the words that were being spoken.

The Integration

One Creo manager stated that acquiring Scitex, its major rival, was a strategic move that would allow the two organizations to achieve synergies and to dominate the prepress space in the market as opposed to competing with each other for dominance. In addition, for Creo, it was to achieve access to a more global supply network.

However, to achieve these synergies, Creo-Scitex needed to effectively integrate two diverse organizations, and integrating those two organizations, with headquarters based on two separate continents, was found to be a challenge in more spheres than simply logistics. Two companies had to become fully integrated in terms of management control structures, reporting systems, product lines, and computer systems. It was known early on that merging such systems would be a complex and long-term project, and not easy completed overnight. In addition, the form of the organization had to be developed and decisions made as to the long-term integration of what was then 4000 employees.

At the time of the acquisition, the Creo management made a decision to conduct the acquisition without the assistance of a third party consultant. According to two of the managers interviewed, there was a naïve assumption that merging the two organizations would occur with a small number of problems. The original corporate culture of Creo was highly adaptable and flexible, and many at Creo thought it would immediately appeal to the Scitex employees – a fact that was later proven wrong.

The integration started with a desire to appease the Scitex Management, and to retain the commitment of the new Scitex employees in the organization. Even the Creo-Scitex name itself, was selected to appease the Scitex management team, according to one employee who was fiercely opposed to the name. He stated vehemently,

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"And that is the exact opposite of what happened because when the Scitex management insisted that it be a merger, then the natural name of Creo-Scitex comes up, which is a horrible mouthful [Creo-Scitex] is a horrible mouthful, and it mixes – Well, you saw the logo – two things attacking each other – There is no synergy in it - no brand recognition, it doesn't roll of the tongue. It was a compromise, and the worst part of the compromise is that Creo did that in order to be conciliatory to the management team of Scitex."

Like the logo, it appears as if much of the initial strategy was conciliatory in nature, from the name change, to the duel managers in each position, to calling it a merger. In reality, what the strategy was responsible for doing was achieving high levels of frustration in all employees and instilling a deep resentment on the side of the Scitex employees. One offered a simple explanation for the frustration:

"They called it a merger, but it didn't behave like a merger. So, if you want to call it a merger, than it should behave like a merger. This didn't happen. So, if it didn't behave like a merger, you just call it an acquisition. Call it what it is, at least then I'll know what I am standing against and I can make decisions based upon that."

This opinion was only echoed by the other two former Scitex employees interviewed. One of these argued that he had realised from the beginning that while it was being touted as a merger, in reality, there would be no more Scitex in the long run. He even mentioned from the beginning he had assumed that eventually the Scitex red of the logo would disappear. From his point of view, he was slightly stunned at the fact that the Scitex management were taking the "It is a merger" communications to heart, and suggested that it revolved around their desire to believe they were still in control.

One employee stated that his cynicism at the acquisition being called a merger stems from the fact that oil and water cannot be mixed, and neither can two distinct organizational cultures. During the integration phase, while it was being called a merger, there was little cultural mixing, and all of the employees knew it. There was also no

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emphasis on the need to consider culture when conducting the integration. Management remained concerned with communication of processes, changes, and other organizational variables, yet, there was a tendency on the part of both former Creo employees and management to assume that a natural, organic approach was enough to bring shifting Scitex employees over to the *"right way of thinking."* This assumption that employees and managers from a vastly different culture would switch over without objection was naïve according to several employees on both sides.

In reality, this organic approach failed for several reasons. First, the nature of the acquisition was that of a small company buying out a much larger competitor. There was a great deal of natural animosity and competitiveness between the two organizations prior to the acquisition, and post-acquisition, the people within Creo were somewhat inflated by their own success. There was a tendency to think, if not verbalise, *"Scitex is dead, Long live Creo!"* As one employee stated, *"we tried to force them to see the light."*

This assumption of superiority was not well received according to the Scitex employees, who already felt slightly betrayed by their own management. As a result, at a managerial level, there were a lot of steadfast positions maintained in the face of the uncertainty. Many managers, *"would hear the message, and hear a description of what the culture is and all that, and then they go to work the next day, and for them everything is the same – nothing's changed, right?"* There was no incentive to change, nor was their overt force being used to manage change. Without a defined plan of action, Creo-Scitex found it difficult to spread its own culture, especially given the multitude of locations it now had, many of which were still controlled by former Scitex management.

Creo-Scitex adapted, however, and called a meeting of Vice Presidents in Boston, where the nature of the organization was debated, and set of core principles were developed. Often referred to as the "Boston Principles," this appeared the first planned attempt by the organization to create guiding principles for the newly merged organization.

Yet, the Boston Principles, according to several employees, both former Scitex employees and former Creoites, were a "sham." As one former Creo employee said,

> *"And they sounded naïve when we first started talking, you know, "Treat people, like people!" But because they were entrenched in the behaviour of peer review, they became real and you got some good benefit from them. But when you put them in the abstract, they do seem somewhat fluffy and fairy. So I could see why a lot of Scitex people would just roll their eyes at it and say, 'Whatever those Vancouver flower children think they should do, I have a business to run here, and I am not going to change'"*

It appeared more than simply not buying in, however. Even following the Boston meetings, there was still a lot of confusion on the Scitex side. Coming from a very hierarchical organization, being given the right to make decisions became strange and awkward. In addition, managers often used to compliance and having strict control were being told to hand over part of their authority to their subordinates. In light of the other organizational changes, the rapid degradation and changing of a culture they had evolved as part of caused havoc for individuals. This reflected in the work and in the overall Creo-Scitex organization as former managers, *"paid lip service to the Creo philosophy"* and still continued to demand the ability to sign off on their employees work.

In the beginning, it was also apparent that the leadership of Creo-Scitex was focused most ardently on communication. A global meeting timed for maximum

inclusion, updated intranet sites that relayed information as necessary, emails, phone messages, and even learning sessions hosted by the CEO in locations around the world. The goal of this communications process was to instil faith into all employees and to sell the idea that it was in fact a merger of equals and not an acquisition.

At the time of the acquisition, the leadership team also conveyed that there would be no layoffs as a result of the acquisition. Instead, they made the decision to have joint managers in key strategic positions. This dual management structure initiative resulted in increased confusion and anxiety among employees. One employee offered an example:

> *"In Finance, for example, there was a decision that there would be two CFOs – one in Canada for Accounting and one in Israel for spending. But of course that didn't make sense at all from day one, and I think after a week, the Israeli guy quit. He moved to Checkpoint."*

In addition, employee uncertainty was increased further as a result of management's efforts to promote a no layoffs policy. Initially, there was a decision made to not make any layoffs of personnel and, while many employees were relieved, there was also not a great amount of trust in that communication. In fact, several of the employees expressed their surprise at the fact that no major layoffs occurred in the first six months. However, they felt equally betrayed when layoffs did occur the year following the merger. While it is difficult to differentiate whether the layoffs that occurred in August 2001 were a result of the economic situation or of post-acquisition redundancy, it was still felt as a major blow to the employee base. One employee connected this trust in management to calling it a merger, when he said:

> *"When they say it is a merger - you say, okay, I am going to go to Israel, invest the time, invite those people to my house, and we're going to build a relationship, and we're going to find a cool way to make this merger work. If they are going to wait two years, people will form friendships,*

connections, intermix people between the product lines and the sales people that makes it harder to kill one or the other later."

The leadership was successful in certain aspects of the integration that were initially planned, if not all. For instance, the CEO of Creo-Scitex was ever visible during the integration phase of the acquisition; he was conducting leadership forums and learning events all across the organization in an effort to make the acquisition successful. This was a key part of a well-defined communications strategy that spanned medias and languages, and occurred in such a way that no one in the organization would be lacking in information. At each step of the integration, the leadership team communicated with the employees, and the majority of the employees interviewed appreciated the high level of communication and support.

Where the leadership went astray, according to employees of both pre-acquisition firms was in *what* was being communicated – a fact that the managers agreed with. Calling the acquisition a merger, not communicating a strategic plan for future products, and the debacle of the IT system were all major problems that developed over the course of the integration process. Each of these has been detailed in more explicit detail in the above sections.

Questions can be raised from the quantitative data gathered in the 2001 employee survey, as to whether the communication of the merger, and the overall communication strategy, were effective. According to the survey, only 39% of overall respondents believed that communication between regions was effective, and only 46% believed that that communication was timely. While more information would be needed to draw a concrete conclusion, these numbers do call into question the effectiveness of the communications strategy that was given such high importance following the acquisition.

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A second strategic decision revolved around the product lines of the newly integrated organization. According to one former Scitex employee, there was a very *"Which product is the best?"* stance taken, at least within one certain department. This led to an internal struggle, which four out of five employees mentioned in their respective interviews. While externally, the leadership of the organization was communicating to customers that both companies' key workflow products would be supported, internally, there was a great deal of uncertainty. One interviewee recommended that an initiative was needed to bring both legacy products together – a new feature. Unfortunately, there was no agreement on the type of feature it should be. Constant lack of direction only heightened the uncertainty of R&D department employees who are driven by long-term objectives.

The new organizational structure itself also took some adapting to. In Israel, many of the former Scitex employees stated that there was a general fear of the upcoming changes, and the imminent movement of corporate functions to Canada. As one employee indicated, *"In operations* [in Israel], *they used to have control, and now they didn't have control. And it's hard. They had to get used to being not in charge."*

In terms of reporting systems, the ability to make decisions was hard to accept coming from an organization where strict controls were maintained on every aspect of the company's business and the employees' conduct. And from the former Creo employees' view, the adjustment to further hierarchy was just as hard to accept. In many cases, where native Creoites were placed into offices made up of mainly former Scitex staff, they were exposed to layers of control they were not accustomed to – and ones that often

lay contradictory to their own Creo way. An excellent example of this estranged dichotomy is:

> *"A friend in Bedford needed some software test files that were stored on a particular server. She needed two or three signatures from various managers before she was allowed access to that server. One of the software developers here, from his house, connected into the server that she needed, and he printed out a list of files then emailed her asking, "Which ones would you like?" And so, in the end, we encouraged her to go back to IT and say, 'no, I don't need these three signatures – I phoned up IT in Vancouver and they'll tell you this.'"*

The frustrations associated with integrating the two organizational structures were often cited as a major cause of voluntary turnover, from both pre-acquisition companies' employees. Scitex people left because they did not appreciate the new *"free-wheeling"* culture and wanted to be given a task and allowed to go off and complete it, without worrying about having decision-making authority. Creo people left often because they were situated under former Scitex managers, and got exasperated with their incompatible management style and so left for positions elsewhere.

While there was no turnover statistics directly related to voluntary turnover kept following the acquisition, each of the employees interviewed mentioned turnover during their interviews. One employee offered,

> *"Some people, product managers, product group managers, division managers left in Israel. Some people actually left here as well. People in Israel left because they didn't get along with their counterparts here, or they wanted to work for an Israeli company – I don't know – for different reasons. People here, some of them didn't like the change from smaller company to bigger company, and they left."*

It took over a year before the structure of the firm began to take on some consistency, often as a result of departures and, eventually, the release of those

individuals who could not adapt to the new structure or culture of the firm. Over this time the uncertainty within both organizations grew. Three of all the employees interviewed stated that they had expected at least six months of uncertainty and aggravation following the acquisition, and were prepared to make changes as a result of the organizational changes. Except the organizational changes were piecemeal and not implemented all at once. This only increased the confusion and uncertainty being felt. One employee stated that:

> *"People said, 'I just see six months or two years of mayhem coming up, uncertainty coming up, and not much fun, so I am out of here, and am going to find another job.' The Brain drain, especially from the Scitex side was impressive - of some really talented engineers on the Israel side who said, 'I don't need this, I'm going to work for a start up.'"*

Overall, this length of time was severely detrimental to the organization, as key talents were lost. Nor was the management structure the only structure having problems, the integration of systems was hampered in an even more detrimental manner.

According to one employee, the reason the integration of computer systems did not occur on schedule was due simply to, *"politics."* Following the acquisition, it was immediately realised that a system would be needed to integrate the global network that Creo-Scitex now maintained. The decision itself revolved around whether to institute an SAP systems integration package or an Oracle one. A decision was made early on in the integration process to select Oracle, the legacy system of Scitex, however, after a year of systems planning and implementation work had already been completed, the decision was made to switch to SAP.

This frustrated the systems implementers to an inordinate degree. Systems implementation is a lengthy process, and not one that is easily changed on a moment's

notice. One of the interviewees stated that the change to SAP after beginning the Oracle implementation was *"one of the most ugliest processes ever."* This employee further explained that, coming from Israel, where people are more straightforward in their communication styles, it would have been better to be straightforward when explaining the rationale for the switch in systems. The employee argued,

> *"I can deal with someone comes to me and says it's a political decision - and I've decided SAP. I can't deal with someone comes and tries to bullshit me with huge excel files to show me how much more economical it is to do SAP, when every IT person with a little bit of sense on his mind knows that it is bullshit."*

There were two areas of organizational structure where the Scitex operations took root early. The first was in the form of fiscal and budgetary control. Prior to the acquisition, Creo was a relatively small organization with strict control of its subsidiaries, and yet, loose systems of control and little paperwork. Employees were allowed to make many of their own financial and purchasing decisions, as it was part of the culture of the organization. During the integration phase, this shifted to a more formalized process, with more paperwork than Creo would have had in the past.

The second area lay in the management of the overseas subsidiaries. As mentioned in a previous section, Creo maintained strict control of its overseas subsidiaries, whereas Scitex operated more loosely, with each territory in control of its own operations and having only limited responsibility to the headquarters in Tel Aviv. During the integration period, it was decided that complete control would be hard to maintain over the foreign subsidiaries. As a result, a more Scitex model was implemented; control was maintained over relatively subsidiaries in close proximity to

Burnaby, such as Creo-Scitex America, while more distant and culturally diverse locations were given more autonomy.

In general, the structure of the organization did coalesce, mainly as a result of time and mid-stream adjustments to process and earlier made decisions. The original strategy regarding structure was found to be detrimental to the organization as a whole, and while it did take over a year to realign the structure to a more resilient path, it did occur. Overall, the integration process was accomplished because of the flexibility and adaptability of the strategic plan.

In terms of quantitative support, in the 2001 survey, the structure of the organization also found itself receiving low numbers from employees, especially in specific regions of the world. In terms of decision-making, an average of 47% of respondents disagreed that decision-making was decentralized, with Europe and Israel having extremely low averages, 34% and 37% consecutively. The effective use of consensus decision-making was also given low marks, especially in Europe with only 49% agreeing that it was being implemented effectively.

Taken as a whole, the original strategy of Creo-Scitex was intended to revolve around constant communication; a strategy that most employees, and all management, interviewed felt was exceptionally undertaken. However, the lack of long term planning, and an unconsidered long-term strategic plan were detrimental to the organizational in the first two years following the acquisition. Fortunately, Creo managed to learn from its mistakes, even in the midst of the complicated integration process

To their immense credit, the management team of the firm realised the error they had made in terms of their focus on calling it a merger and naming the firm Creo-Scitex.

In January 2002, the company was re-branded back to Creo, only with a different logo. This re-branding was another step at least three of the interviewed employees considered a key turning point for the organization following the acquisition.

For products, a strategy session was held in late 2002, where a roadmap was created that targeted long term product objectives – a key necessity for the R&D employees, and one that was widely hailed. Prior to having a defined target, research employees, especially former Scitex employees, were unmotivated and frustrated. With a defined target, the employees found it easier to make goals and to get excited about the long term. According to one employee, as a result of the roadmap, *"productivity has increased significantly, in Vancouver and in Israel, together, because we see ...the key picture. There was a vision that started from there."*

In terms of the distinct Creo culture, there was the decision to seed remote locations with culture champions, people already ingrained in the culture, and who could communicate it well on a day-to-day basis. Regarding this, one manager said,

> *"We didn't do it quick enough ...one of the lessons we learned from all this is, if we were to do it again, we would probably be very clear right from day one on what the culture is, what we expect, and what the consequences of not meeting with our expectations are, so we were probably too nice. We were too Canadian."*

"Too Canadian," this was echoed in the statements of two of the Scitex employee interviewed, who suggested that Canadians are much less open and direct than Israelis. These employees suggested that management needed to make concrete decisions, and the avoiding of those decisions was the main problem overall. Had difficult decisions been made early on, whether with positive or negative consequences for the Scitex employees, there would have been greater acceptance. The buy-in would

have been stronger as the leadership would have been communicating a holistic plan of action.

Overall, the leadership did not begin on the right path in terms of its plan for the integration of the two firms. However, their ability to realize their mistakes and to meet new challenges effectively, if not timely, was key in bringing Creo to where it is today. Unfortunately, the employee survey of 2001 suggests that the employees had a high level of distrust for the leaders of the organization. Only 60% of respondents believed that the leadership could lead the organization effectively, and only 59% believed that communication from the leadership was open and honest. Taken one year following the acquisition, these numbers can be seen as extremely troubling in terms of leadership effectiveness at Creo-Scitex.

In the end, the integration of cultures succeeded because of the decision of management to replace non-compliant personnel with *"culture experts"* in the key areas of the organization that were having the most difficulty adjusting to the new Creo-Scitex way. All three of the former Creo managers named the seeding of locations such as the Asia Pacific with key individuals who were proponents of the desired Creo culture as one of the key events that led Creo to where it is today.

An employee attitude survey held in 2001, one year following the merger, can assist in capturing the degree the culture integration was successful. In the quantitative section, 89% of respondents suggested they were aware of Creo-Scitex's core principles, values and mission. Unfortunately, there was not a question on personal affinity to the core values, and only 63% of respondents believed that the leadership of the organization abided by the principles and values that it espoused. In a major change from the 1998

employee survey, only 33% of respondents felt that there was a minimum amount of politics occurring within the organization. This decrease of 45% speaks loudly, if not concretely, to a shift in attitudes and culture following the acquisition. In the qualitative section of the survey, approximately 95 respondents, 12.8% of the total global respondents, commented on their dissatisfaction with the difficulty of integrating the two cultures, and the poor implementation of the merger as a whole.

The Present

The current structure of the organization is reminiscent of both pre-acquisition cultures, rather than the Creo one in particular. There are higher levels of hierarchy; a factor linked not only to the acquisition, but also to the growth in the company personnel. With such an increase in its employee base, additional hierarchy was inevitable. However, this hierarchy, at least from the perceptions of the pre-Scitex employees is manageable and reasonable, and accessibility is still strong. *"What I really like about Creo is that management is accessible to you. So, if you have something to say or if you have an opinion, I really feel I can go to my Corporate VP and I can tell him what I think,"* one employee commented.

The structure also consists of more rules and frameworks, with budgetary controls in particular, being taken from the original Scitex model. Accordingly, decisions take more time, and the process is slower to get things done when compared to Creo pre-acquisition. In terms of IT, a company wide system has been implemented that connects and combines all locations into one cohesive format. This has been essential for the company in terms of building a structure with the manoeuvrability and capability to achieve the synergies between different departments and different global locations.

In terms of the 2003 employee survey, only 55% of employees believed that decision-making within the company was effective, and 46% felt that the decision making was decentralized. Of these numbers, Creo Europe had the lowest averages for both questions, with 44% and 30% respectively. The consensus model was also not given strong support, with only 65% agreeing that team leaders were ensuring the consensus model was utilised.

Within the past year, there has been a focus on creating a long-term strategic plan for the products developed by the organization, and objectives made in terms of further areas for development. Internally, in the case of the Human Resources Strategy, like at the original Creo, there is still a major emphasis on the concept of self-presidency, a concept that has finally been accepted throughout the organization. This acceptance is likely a result of Creo management learning to ask people to leave when they are found not to mesh with the culture that Creo seeks to personify. *"'Resistors must go.' And it's a new game, this is the deal, get in the boat or get out of the boat,"* one person explained.

And those who remain from the Scitex organization have adapted to the strategy, although problems still exist. The self-presidency strategy was a major positive according to one former Scitex employee, with regard to one team in particular,

> *"They understand that that is their responsibility – that that is their domain. They are the king of that area. It motivates them. They want to make decisions. They want to make a difference. By making a difference, they feel they are victorious. They feel they are winning."*

On the negative side, both the communication and the decision-making models were questioned as they exist today by several employees. In terms of communication, one person described the information flow as *"more of a flood"* whereby a lot of the most

important information is buried beneath a flood of information that might not be essential to the individual. While information sharing and acceptance of ideas and thoughts is valued, one person suggested that it does need to be filtered to a degree to make it understandable and useable.

In terms of decision-making, several employees suggested that the current method of consensus is not being understood between all employees within the organization. Whereas some people see it as a democracy, where each individual has a vote on the final outcome, in reality, consensus means that individuals are given the opportunity to present their arguments based on economic principles, and if not accepted, cannot say that he or she disagrees. One employee suggested that Creo's perfectionist stance towards strategic decision-making suggests that the company should wait until it can hire the employee who exactly meets the criteria of the job description. This employee explains:

> *"So in a way, it makes the process - everything so much longer, and it takes so much more time. And the other stuff is that, in a way, its perfectionism, like – We want to hire a person, I will look for a person for two years to hire him because he has to have everything." And I say, 'Hire someone, in two years he will be exceptional.' I had this discussion with my VP and he said, 'No, no, I will keep looking until I find exactly the person.'"*

Nonetheless, the overall strategy of the organization, while some suggest it needs to be adjusted slightly, or at least better communicated, is on a strong course.

In the current economic climate, Creo's leadership has managed to realign its strategy and to formulate a plan for the future. One employee compared the acquisition to a war: "with the successful attack comes post-occupations challenges related to sociological and psychological factors, a changing culture, and attacks by varying bandit groups. What the leadership learned from the acquisition is that if you don't prepare for

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the post-signing climate, the acquisition will not be successful." For a long time, it appears as if the acquisition, at least internally would not be a success.

Externally, the leadership managed to communicate a harmonious front almost from day one. One year following the acquisition, a trade magazine suggested that the Creo-Scitex was well on its way to dominating the industry. (Seybold Report, 2001) No other trade magazines disputed that fact, either at the time or in the interim. The ability to continue to communicate a united front, and make rational and yet hard decisions, is a characterisation of the type of management Creo has.

In light of IT changes and problems, a year after systems integration, the leaders decided to switch course. As a result of finding that culture is much more difficult to change than expected, the Creo leadership seeded their organization's hot spots with key personnel, and eliminated those who resisted the changes. And in the wake of realising that the name change was not effectively solving any problems, and indeed was only causing more trouble and driving the division even farther, the leadership rebranded, at a cost of over half a million dollars, back to Creo.

However, the employees' trust in the management of their organization is still extremely low at present. In the 2003 survey, while trust in the leadership of Creo to leadership to lead the company effectively did increase since the 2001 survey, the results were still remarkable low at 69%. (compared to 60% in 2001). In addition, the employees trust in the leaders making decisions that will also be good for them individually, remained unchanged at 47%. Overall trust in the Creo leadership also remained unchanged at 50%. These numbers are a grave reflection of the decisions made by the management post-acquisition, even if further decisions corrected past errors. It

will likely be a long time before employee trust reflects the degree to which the leadership is truly leading successfully.

Overall, the new Creo is a juxtaposition of the original Creo culture and the original Scitex culture, although, the majority of cultural variables are descended from the Creo model. At present, 4100 employees work for the firm, in locations spanning the globe. These employees do not have the same cohesiveness of the original Creo culture, and yet, they still feel that their connection and loyalty to the organization is high when compared to other companies.

In the current employee orientation package, the Creo principles are laid out in vivid detail, not all that different from the principles of the pre-acquisition organization. These include:

- Strive to be the best in the world at what we can do

- Care for our customers, each other, our suppliers, partners and shareholders

- Do our absolute best to honour our commitments

- Believe our people are most effective and satisfied when self-managed, and we will provide the tools, training, and environment for this to occur

- Strive to always act with integrity and fairness

The employee descriptions of the current culture match these values to a large degree, although some are couched between words of regret and memories of old times. For instance, one employee likened the original Creo as a school for gifted kids.

"...there was almost always someone wandering around at six or seven asking who wants to order dinner, and there would easily be fifteen or twenty people ordering pizza or Chinese food. And now, when I leave, now, around six or six thirty, the parking lot only has one or two cars left."

To this employee, while the culture still expresses the founder's values of self-presidency, autonomy and shared knowledge, there has been a slight degradation in the overall cohesiveness of the firm. The loyalty is not as present as it was before the acquisition and integration.

From the Scitex perspective, the culture is one that has taken some getting used too - not only the Creo culture, but also the Canadian culture. *"I think today, many people here in Canada, or in Creo, sorry, learn how to talk with Israelis, or talk to us. And so, all those issues, I don't see them - or I hardly see them today."*

The difference of cultures, however, has impacted the overall culture of the company, mainly as a result of the diversity of locations in which the company operates. One manager explained that now that the company operates globally, the culture is more like the one within a family situation. There are a set of values and principles that each member of the family adheres to, but each individual has a different personality. This manager considered this reasonable considering that overall the value set is the same.

An employee illustrated the situation more colourfully, comparing Creo as an organization to the Balkan states, where *"in Burnaby, the Creo culture has largely survived unchanged since its inception – but Creo Europe, Creo America, and Creo Japan, have some new hybrid culture ... It's more of a mélange."* Nevertheless the culture does appear to be largely shared, if not to the same degree as pre-acquisition.

Differences that do appear are often less a result of the merger, and more that of a large company coping with a turbulent economic environment.

While there was no quantitative component to culture on the 2003 employee survey, within the qualitative part, there were a small percentage of negative comments suggesting that Creo's culture and principles were being lost over time, and that there was bad application of the principles outside of the Creo Canada region.

CHAPTER FOUR: CASE ANALYSIS

The Acculturation Model

Within the area of study to be examined, there is a wide-range of variables that can be studied. However, it was more productive to utilise aspects of an existing model of post-acquisition integration factors and processes to analyse this case. This case study used a framework designed by Nahavandi and Malekzadeh (1993) as a method for organizing the relevant case data. Nahavandi and Malekzadeh offer a model that identifies four factors that interact and play a role in post-acquisition integration: strategy, structure, leadership, and culture. A version of this model can be seen in figure 2.
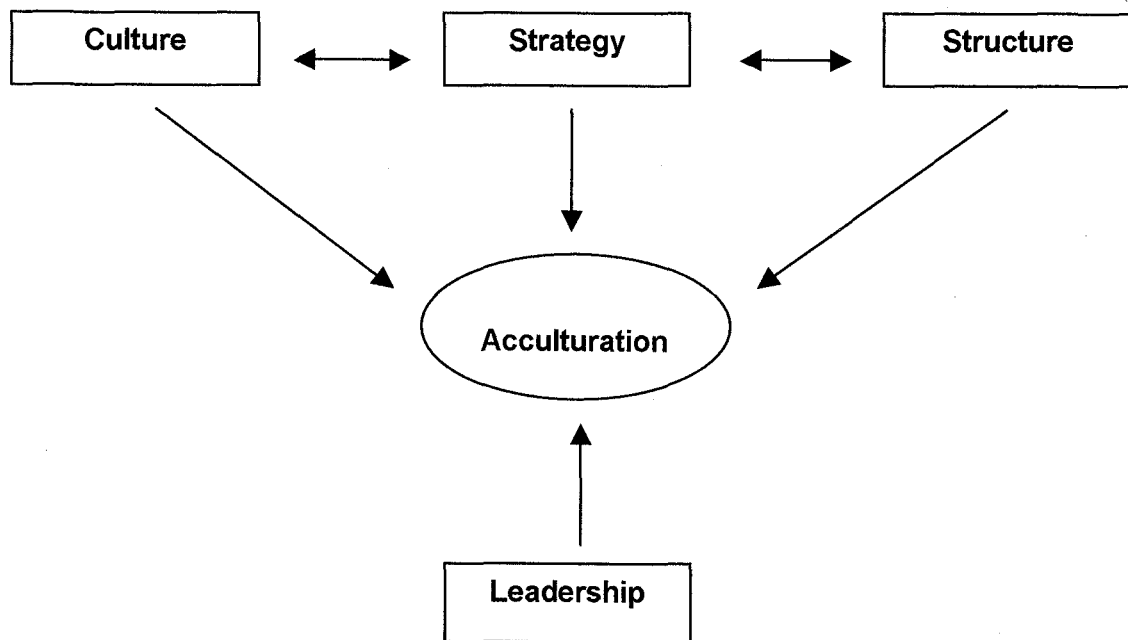
Figure 2: Determinant Factors of Acculturation in Mergers and Acquisitions. Adapted by permission of Greenwood Publishing Group, Inc.

According to Nahavandi and Malekzedah (1993), the strategy of an organization consists of how it plans to achieve its long-term vision and goals. Within a merger or an acquisition, the strategy often focuses on the goal and on the type of merger taking place. These factors determine the degree of integration and the amount of contact that will be

needed. The structure, on the other hand, is concerned more with the control of people, in terms of the actual level of hierarchy, as well as the modes of decision making within the firm. Leadership is another major factor, especially in times of crisis. Understanding the influence leaders have on the integration process is essential in terms of acculturation. Finally, culture in this model refers to the aspects of an organization that makes it distinctive (Nahavandi and Malekzedah, 1993).

Next, the case will be examined in more detail along each individual factor as a way to answer the questions posed by the research propositions.

Culture

Initially, it appears that Creo and Scitex were polar opposites in terms of their organizational cultures. Using Cameron and Quinn's Competing Values Framework, it appears that Creo had a more "clan" oriented organizational structure. A clan culture, it bears repeating, is characterized by an employee focused, family oriented, and empowered culture (Dastmalchian, Lee, and Singh, 2000). Each of these can be seen in terms of the structure of Creo before the acquisition. First, the company had trust in its employees as one of its core values. This was reflected in each employee being granted the power, autonomy, and resources to make their own decisions with regard to the sphere of their own position. However, this autonomy and accountability was entrenched in the overarching goals of the organization. Employees enjoyed working for the organization, and enjoyed working with their coworkers. This fostered a culture that several Creo employees likened to "a big family."

In contrast, the Scitex culture, at least in the years leading up to the acquisition was characterized in a much different manner. In the 1980s, it appears that Scitex had a

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more controlled, hierarchy type of culture. There were numerous levels in the organization, and multiple levels of control. Still, the organization appeared to do well, and the employees considered the low level of knowledge sharing to be normal. In the 1990s, this culture shifted along the Competing Values Framework, taking on a much more market driven approach. This would be one reason for the desire of the parent organization to sell many of its product lines and divisions. By shifting to a more market oriented culture, the organization had to select and streamline the functions it wished to capitalize on. Scitex became much less focused on its employees, even to the point of alienating them.

In terms of the national cultures in which the two organizations are entrenched, it is easiest to consider the differences along a specific cultural model. Hofstede offers one such model, one that has been widely utilized globally to compare and contrast cultures. In terms of this particular study, the two most important of Hofstede's dimensions appear to be individualism/collectivism and uncertainty avoidance.

In Hofstede's work, Creo's home country of Canada scored high on the dimension of individualism, whereas Scitex's home country of Israel was seen more as a collectivist culture. By individualism/collectivism, Hofstede refers to the "extent to which one's self identity is defined according to individual characteristics or by the characteristics of the groups to which an individual belongs on a permanent basis" (Thomas, 2002, Pg. 50). This ranking aligns well in terms of Creo's empowerment of its employees; the Creo management's decision to give decision making authority to individual employees. The Israel ranking also aligns with Scitex's original culture, as can

be seen in the acceptance of centralized decision making processes within the organization.

The uncertainty avoidance rankings between Canada and Israel are even more significant, as M&As tend to drive uncertainty up (Risberg, 2001; Schweiger and eNisi, 1991). Uncertainty avoidance refers to, "the extent to which societies focus on ways to reduce uncertainty and create stability" (Thomas, 2002, Pg. 50). In Hofstede's research, Canada ranked low on uncertainty avoidance, whereas Israel ranked much higher. This could help to explain the reasons why the Scitex employees grew upset at their treatment by Creo during the integration process, and the discontinuity of managerial actions in the year following the acquisition.

The national and organizational culture influences on the integration process can be seen in both the mistakes and the successes that Creo experienced during the course of its acquisition of Scitex. Creo's pre-acquisition culture was one that relished in autonomous action and personal presidency, where employees were given the opportunity to make decisions for themselves, and where everyone knew the strategy that the firm would take. The management ran the company based on a principle that people should be treated like people and trusted to make the right decisions. The organization as a whole was organic in structure, with few controls above and beyond the principles of economic thinking. The culture was strong and widely shared, with employees feeling part of a big family. While the company as a whole encouraged the individualism and personal responsibility that Canada ranked so highly on in Hofstede's model, it also managed to incorporate a sense of family, of group responsibility and teamwork that appears to have a greater link to the Creo organization's culture.

This duality of Creo's national and organizational cultures can also be seen in the underlying actions of the management team when instituting the acquisition. Creo entered the integration with the assumption that it could do the integration itself, in an autonomous manner. Yet, Creo also maintained a firm belief that its culture would appeal to the Scitex people once they were introduced to it. As such, when the Scitex employees did not buy-in right away, many Creoites were surprised. The realization that culture is indeed a hard thing to change was only realized later.

In addition, the problems that arose in trying to implement an autonomy-oriented culture in areas run by managers who were entrenched in the more hierarchy and collectivistic culture of Scitex. Once the problems were realized, the Creo management made steps to realign the organization by taking culture bearers and placing them in the locations where they could then teach, promote, and reward culture change efforts.

These changes helped to make Creo processes, like 360-degree evaluation more understandable in former Scitex locations, and built a net of the proposed culture that was then cast over the entire organization. Those that adjusted, clung to the net, and those that did not, slipped through or were shoved out. Again, Creo managed to maneuver away from a situation that could have caused significant problems that would have lasted for years more.

Strategy

In terms of the overall strategy, several steps were taken by Creo more as a means to appease the Scitex management than as a means to long-term viability of the acquisition. Among these, the initial name used during the integration process was Creo-Scitex, a name that unintentionally insulted the honour of the former Creo employees.

This renaming was an attempt to foster unity with the Scitex management, however, over the course of the next year, the majority of those managers left the organization either voluntarily, or when the Creo management realized they could not adapt to the culture it wanted to instill in the organization. In addition, a further negative result of this brand name was that, on the surface, it did appear to be a merger.

This external show of unity, in addition to a communications strategy that used the word merger when speaking to employees, only worked to alienate both Creo and Scitex employees. Creo employees, who had spent years working to "defeat Scitex," saw the supposed "merger" communications as a slap in the face. Scitex employees saw the "merger" communications as outright lies as they watched their senior management steadily depart from the organization, and their culture be overshadowed and removed in favour of the Creo one. The rationale for the vehement negative from the former Scitex employees' response to calling it a merger even though it was an acquisition can again be linked to what Hall and Hall (2003) refer to as "high and low context." From what one employee said, it appears that Scitex as a whole was relatively low context in terms of its interactions with each other. Whether this was the result of having all business conducted in English (often an employee's second language) or whether Israel is low context by nature, could not be determined. Overall, former Scitex employees did not appear to be concerned with saving face, but were more concerned with the actuality of events that were occurring. Needless to say, taking into account the cultural factors of the organizations involved, calling it a merger when it was in fact an acquisition, was a major error on the part of the management.

Fortunately, all three of the managers interviewed stated that senior management had eventually come to realize their mistake in both the naming and communications strategy that was focused on playing up the "merger" aspect of the integration. One manager even referred to the leadership as being "too Canadian," with the desire to be polite and friendly taking precedence over what perhaps would have been more viable business decisions. The Scitex employees interviewed agreed. They suggested that as Israelis they would have preferred to be told the truth from the beginning, as opposed to watching as actions belied the words being spoken.

In retrospect, all the people interviewed suggested that if the acquisition could be completed over again, there would have been an immediate communication that is was an acquisition and not a merger. However, the company decision to conduct a complete turn around and rebranding, as opposed to continuing with the name Creo-Scitex and finding a way to make the name stick and the culture still remain more Creo-centric, speaks of something special within the organization. Most of the Creo employees interviewed suggested that the rebranding was a major turning point during the integration process. The Scitex people also saw the rebranding, if not as a success, as an expression of what was already the case – the fact that it had been an acquisition and not a merger.

In terms of business strategy, the handling of product planning was also a major source of contention during the integration phase. While the company did promote externally the fact that both companies' products would be supported, there was no coherent product plan offered internally until 2002. This caused major rifts in the R&D department, as all employees grew more uncertain over the long-term objectives of the organization. This resulted in the loss of many good developers on the Scitex side as

they increasingly came to believe that perhaps no strategy would be developed. This loss comes to no surprise when Hofstede's uncertainty avoidance rankings are considered. While Hofstede's rankings were only averages, the uncertainty avoidance ingrained in the Israeli culture likely influenced the desire of employees within Scitex to have long-term goals.

The key turning point in this area were "roadmap" discussions held in 2002, where the long-term objectives of the firm were created and communicated. It was at this point that the future path of the organization finally was decided and agreed to by the employees. This new roadmap and vision increased morale and commitment within days of being communicated, one employee who worked in R&D stated. However, should the company have determined this long-term plan earlier in the integration phase, it might have avoided some of the conflicts that occurred. In the end, the roadmap discussions have proved successful, with employees now feeling more confident in the long-term viability of the organization.

Structure

From a structural standpoint, there were also major errors made during the integration process that Creo managed to overcome. The determination to have two managers in the key positions appears to have been more of an attempt at conciliation as opposed to long-term organizational strategy. This ambiguity within the reporting structure only increased the uncertainty of the employees within the organization. As a result, instead of making strategic decisions on who should be kept or persuaded to stay, the decisions were made for the company as good people left the organization on their own. Considering Schweiger and DeNisi, (1991) found uncertainty and ambiguity to be

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linked to decreased commitment, this loss of key employees comes as no surprise. Nevertheless, once the negative results of their first course of action were known, the Creo management did revise its position, although the revision occurred too late to save some key employees according to the interviews. For instance, the dual management system was changed and managers who could not abide by the Creo method of conducting business were asked to leave.

In addition, the handling of the systems implementation and IT structural integration was a second area that stood out in the development of the descriptive case. The organization spent an entire year implanting one system before completely switching to a second system. This caused a great deal of frustration for the employees involved with the implementation, and it appears that the communication in this regard could have been better. While the system integration once completed was considered a major turning point in the integration process, the timing could have been improved had the system decision been made early and concretely. Several of the employees noted that more clarity and sense of direction would have been beneficial.

Leadership

Previously in this paper, Nahavandi and Malekzadeh (1993, Pg. 77) were quoted as stating that leaders, "are symbols of the organization, and they come to be symbols of the merger." In terms of the leadership, the key problems appear to be a mix of inexperience and naiveté as opposed to inability. The Creo management attempted to implement the acquisition without the assistance of a third party, and without a full time integration manager or change agent. This decision reflects the Creo culture of autonomy and personal accountability. Considering this, the fact that the organization did eventually

make key decisions that resulted in a major turnaround for the organization, must be commended.

Overall, the decisions the leadership team made with regard to the rebranding, and the seeding of key people in foreign locations, must be taken for the ingenuity that they showed. The ability to see fault in their own earlier decisions, and to shift the organization in the direction they desired it to go - and have the newly plotted course be successful, shows that the leadership team was highly adaptable and able; the very cultural attributes that the organization promotes within its individual employees.

The management personnel interviewed all agreed that were they to do the acquisition again, they would do it completely differently than the approach they utilized. They would have devoted a full time transition manager, and possibly hired a third party to assist with development of an integration plan.

Acculturation

Nahavandi and Malekzadeh (1988) determined four modes of contact that can occur when two firms are joined. Assimilation, whereby one firm's culture supercedes the second firm's culture; Integration, whereby both firms exchange cultural elements, and therefore suffer readjustment; Separation, whereby the acquired firm is allowed to keep its own culture and is not influenced by the acquirer; and Deculturation, whereby the acquired culture looses all its cultural characteristics and is not immediately drawn to the acquiring firm's culture. The choice of acculturation mode is determined by the strength of the acquired firm's culture and its attraction to the acquirer, and by the acquiring firm's culture and long-term strategy.

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This matrix can be used to help understand the events of Creo's acquisition of Scitex. Prior to the acquisition, Creo had a widely shared, yet unitary culture, in which all members grew to have a cultural connection and stake in the company. In addition, its acquisition strategy focused on counteracting a price war, rather than on a comprehensive movement to achieve long-term corporate and operational synergies. As such, during the initial acculturation phase, many of Creo's actions were aimed at fostering an integration mode of acculturation. The decision to maintain two executives in each major position, the choice not to make any drastic job cuts, and the name change itself: each spoke of fostering integration.

However, according to Nahavandi and Malekzadeh, (1988) a company in Creo's position should have aimed for an Assimilation mode of acculturation because of its unitary culture and the relatedness of the firm it was acquiring. The truth of this can be seen in the three years following the acquisition, as Creo shifted from attempting to integrate the two firms to taking a more assimilation-oriented acculturation stance. The organization moved Creo culture bearers to other countries, changed the name back to to Creo, and even shifted the systems integration scheme from the Scitex model it had initially aimed to implement.

Meanwhile, Scitex's culture was more fragmented due to the years of uncertainty following its acquisition. In addition to this fragmentation, Scitex did not have a high level of attraction to Creo. In truth, several employees had never heard of the company prior to the announcement. This left the organization leaning toward deculturation, a fact borne out by the uncertainty and anxiety held by Scitex employees, and by the distrust of the Scitex employees for both their original Scitex management and the Creo

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Management. Considering this along with Israel's high uncertainty avoidance ranking, it appears that Creo's usage of an assimilation strategy from the beginning very well could have resulted in a positive outcome earlier on in the acculturation process. Much of the misunderstandings appear connected with Creo's misalignment of its acculturation model with its long-term cultural and strategic objectives. When Creo moved to alleviate this misalignment, and acted on its new long-term strategic goals, the company shifted onto the path of success.

Looking at the post-acquisition integration process holistically, it can be seen that Creo's original culture is what drove the leadership to make the strategic and structural decisions that it made. It was also the Creo culture of autonomy, responsibility and trust that allowed for mistakes to be rectified, and courses to be successfully re-chartered. The negative choices that were made, were made based more on the lack of understanding regarding the nature of the acquisition process, and on the desire to go about the integration in a typically Creo way; and, in typical, Creo fashion, when this process of integration proved untenable, it adapted. It is that culture of adaptability that allowed Creo to grow, and in the end, allowed it to swallow a massive whale, with only a nasty case of indigestion, and not death.

Limitations

There are a number of limitations to this case study that need to be identified. The first limitation is the lack of former Scitex management to interview. Only five former Scitex senior managers are still with the company, and each of these is based outside of Canada. In addition, of the former Scitex people interviewed, all three are currently based in Canada and arrived in the country within the first few months of the merger. As a

result, their reactions to the merger may not be representative of all former Scitex employees. However, considering that originally there were no Scitex people being interviewed, the relative bias is much less than it could have been.

In addition, there is also a limitation surrounding the availability of pre-acquisition documents and information. Most of the accessible internal information is from after the acquisition. Using secondary data to help build a bigger picture is a limitation as the secondary data might not be completely accurate. There is also the possibility of internal documents not being correct. For instance, disparities might exist in the methodology of the internal employee attitude surveys, which could impact on any comparative analysis done.

Also, there is also a problem associated with recollection. It has been three years since the acquisition, and there is a major possibility of recall error. In addition, while participants were guaranteed that they would not be identified, there is the possibility that the participants might not have offered a truthful account of their perceptions during the integration phase of the acquisition.

CHAPTER FIVE: DISCUSSION

Managerial Implications

While the Creo case in and of itself is not generalizable, there are still a number of concepts that readers can take away from this study. Many of these concepts and learning points were created as a result of the learning identified by the organization itself. It is hoped that these lessons learned will act, not as a comprehensive guide for companies looking at conducting a cross-border merger, but as a guidepost of areas that need to be looked at further if a cross-border acquisition is to be successful right from the start. These include:

- **Communication is Essential:** Creo found that communication was essential, throughout the acquisition process. When conducting a merger or an acquisition, it is important to examine the communication needs of all employees, especially when the national cultures may differ between the firms involved.

- **Call a Cat, a Cat:** In this case, call an acquisition an acquisition, and call a merger a merger. Doing anything but this can lead to difficulties in the long term, and increase the distrust of employees.

- **The Best, Not Them All:** In terms of retention of employees during the integration process, it is more important to work to retain key employees rather than to attempt to keep them all. Without a planned retention strategy, oftentimes the best employees will leave for positions elsewhere in the face of uncertainty.

- **Plan for After the War:** While the acquisition itself is a major step, it is not the only step. When involved in negotiations, plan for what will follow the announcement, including: long-term strategy, structure, and culture change.

- **Don't be Afraid to Chart a New Course:** Creo survived to prosper by looking at its decisions and realizing it was not where it wanted to be. Rebranding was a major step, and one that might not have occurred had the leaders not been willing to chart a new course. In light of difficulties during the M&A process, do not be afraid to look in a new direction.

- **You Think You Are Great – Doesn't Mean They Will:** In terms of organizational culture, even if you believe your way is the best way, do not assume that the employees of the acquired firm will immediately agree. Persuasion is more important than forcing.

- **Listen to the Experts:** While you do not have to follow everything they say, you should be aware of what is being said in the literature. There is a lot to be learned from the experiences and studies of others. Ignorance is not always bliss.

- **Culture is Not Secondary:** Above all, culture must be considered a major factor during the integration process. Deciding upon the culture that will be fostered, and how that culture will be spread is essential. Creo spread its culture by seeding employees in non-Creo strongholds.

Contributions

The utility of the findings of this research is threefold. First, the research offers insight into a unique case of an international acquisition integration process. The case can be considered unique because of the location of the integrating firms, the relative sizes of the two companies, and the time lapse between the actual event and the research. There is little prior research involving firms in Canada as the acquirer, and none at all have

studied firms based in Israel. In addition, Creo was one-third the size of Scitex prior to the acquisition, yet it was in fact the acquirer. Also, it has been suggested that 12-18 months at a minimum is needed before analysis of a merger or acquisition should be made (Applebaum et al., 2000), a timeframe uniquely matched with the timeframe of the acquisition this project studied.

Second, the study offer lessons learned for other companies seeking to partake in a cross-border acquisition. While the findings might not be generalizable across multiple cases, the lessons outlined offer some general recommendations on areas that were found to be important in the Creo case, and so mayhap will assist other companies with their own merger or acquisition. At the very least, this case highlight issues that other companies might not have considered. This case is especially interesting for Canadian companies seeking to acquire or merge with foreign entities.

Third, for the Creo organization, this project now offers an outline of the company's past actions and the related responses of the employees and management, along with general lessons it can utilize in terms of any future acquisitions the company makes. It was brought out in an informational interview that the company has not maintained any type of record of the acquisition integration process, and unless documented, possibilities for future learning would soon be lost. As such, this study, in the form of the descriptive case, offers Creo a useful end product in return for the company's support and willingness to be studied.

CHAPTER SIX: CONCLUSION

For Creo, the leadership team may have made poor choices at the beginning in terms of the integration process, nevertheless, it managed to overturn most of the problems it was faced with and to succeed in the end where other companies may have failed. Its decision to communicate the concept of a merger and not an acquisition, its inconsistent strategy with regard to a congruent IT system, its lack of strategy planning with regard to product development; each of these could very well have caused the acquisition to fail. Still, somehow, decisions were made, and strategies planned that worked past these difficulties: a product roadmap was planned; key leaders were seeded across the organization; and an IT system was successfully implemented.

These solutions may not have been made quickly enough to keep Creo from being negatively effected, and yet, because of these, Creo did eventually manage to integrate two completely divergent firms. After considering the case holistically, it appears that the strength of the Creo culture, in addition to its emphasis on autonomy, trust, and accountability was responsible for Creo charting a new path, even in the face of complete dissaray. The corporate culture of adaptability helped Creo to see its problems for what they were, and to adapt in an overall positive way. As a result, the acquisition itself has been successful, and the company has a strong future ahead of it. In conclusion, while it entered the acquisition without any clue of what to expect, and made mistakes and suffered losses that proved it, Creo proved itself infinitely worthy of its motto: Imagine, Create, and Believe.

APPENDICES

APPENDIX A[*]

SIMON FRASER UNIVERSITY

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BURNABY, BRITISH COLUMBIA
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Telephone: 604-291-3447
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May 1, 2003

Ms. Jana Paniccia
Graduate Student
Faculty of Business Administration

Dear Ms. Paniccia:

**Re: Cultural Influences on Post-Acquisition
Integration; A Case Study of Creo and Scitex**

The above-titled ethics application has been granted approval by the
Simon Fraser Research Ethics Board, at its meeting on April 28, 2003 in
accordance with Policy R 20.01, "Ethics Review of Research Involving
Human Subjects".

Sincerely,

Dr. Hal Weinberg, Director
Office of Research Ethics

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Appendix B: Interview Questions

1. Please tell me about your background?

2. What is your current position at <u>Scitex/Creo</u>?

3. How long did you work at <u>Scitex/Creo</u> before the joining?

4. How would you describe <u>Scitex's/Creo's</u> corporate culture prior to the joining?

5. How would you describe *Scitex's/Creo* organizational structure prior to the joining?

6. What was your impression of <u>Creo/Scitex</u> prior to the joining?

7. In your opinion, why did Creo and Scitex join?

8. When did you first learn about the joining of Creo and Scitex?

9. How were the Creo/Scitex people treated throughout the process?

10. How would you describe Creo's corporate culture today?

11. Following the joining, how did the restructuring of the organization occur?

12. If you had to pick the three most important events that have occurred since the joining at Creo, what would they be?

13. In your opinion, was this a merger or an acquisition? Why?

14. What do you think Creo learned from this experience?

15. If you could go back and change anything about the joining of Creo and Scitex, what would it be? Why?

16. Is there anything you would like to add that I haven't covered here?

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