Transitional Identity as a Facilitator of Organizational Identity Change during a Merger

Shawn M. Clark
The Pennsylvania State University
Dennis A. Gioia
The Pennsylvania State University
David J. Ketchen, Jr.
Auburn University
James B. Thomas
The Pennsylvania State University

We adopted an interpretive, grounded theory approach to study the processes by which organizational identities changed during the initial phases of a merger between two formerly rival healthcare organizations. Our investigation of two top management teams attempting to instigate this major change effort and lead their organizations toward completion of the merger revealed that the emergence of a transitional identity—an interim sense held by members about what their organizations were becoming—was critical to moving the change process forward. The transitional identity allowed executives in the two organizations to suspend their preexisting organizational identities and work toward creating a shared, new identity. The transitional identity appears to have been effective because it was ambiguous enough to allow multiple interpretations of what the merged organization would become to eventually coalesce into a common understanding, but not so ambiguous as to be threateningly unfamiliar. Overall, we present a process model of organizational identity change during a major change event that spanned two organizations, with the concept of transitional identity as its centerpiece.●

"With the merger the essential question now becomes, who are we?"
—Community Health System executive

The intensity of organizational change can range from the nominal to the radical. Bartunek and Moch (1987), for instance, identified three degrees of change intensity, distinguished according to the amount of change required in members' schemas for understanding organizational events: first-order change, which involves incremental changes to shared schemas (e.g., adopting new routines); second-order change, entailing substantive modifications of shared schemas (e.g., implementing a new strategic vision); and third-order change, implying acute alterations to or replacement of existing shared schemas (e.g., during traumatic events like bankruptcies or radical changes such as mergers and acquisitions). Perhaps the most profound of all such changes occurs when there is a significant transformation required in what is arguably among the most elemental of all schemas, organizational identity itself—as is reflected in the epigram above, which succinctly captures this study's theoretical domain—organizational identity change—as well as its problem domain—major or third-order organizational change.

Organizational identity—the subject of the essential question, "Who are we as an organization?"—usually is defined as members' understandings and claims about what is central, distinctive, and continuous over time about their organization (Albert and Whetten, 1985; Ravasi and Schultz, 2006). Over the last quarter century, organizational identity has burgeoned as both a topic of interest and a key concept in organization study and has been linked to a variety of important phenomena, including relationships with stakeholders (Brickson, 2005), organization members' responses to threats (Elsbach and Kramer, 1996), organizational commitment (Golden-Biddle

0001-8392/10/5503-0397/$3.00.

●

We thank Kevin Corley, Aimee Hamilton, Kristin Price, and members of the Department of Management and Organization Organizational Research Group at Penn State. We also thank three very helpful anonymous reviewers and especially Associate Editor John Wagner for incisive comments on earlier drafts of this study.

and Rao, 1997), organizational culture (Ravasi and Schultz, 2006), strategic change (Nag, Corley, and Gioia, 2007), and competitive rivalry (Livengood and Reger, 2010), among others.

Within this domain, identity change has been the subject of intensive study (e.g., Dutton and Dukerich, 1991; Gioia and Thomas, 1996; Fiol, 2002; Corley and Gioia, 2004; Ravasi and Schultz, 2006), and these works have revealed a great deal about the character of organizational identity change, its antecedents, and its consequences. For example, identity change usually occurs in conjunction with other major changes, such as the creation of a new vision (Gioia and Thomas, 1996) or organizational adaptation to a changing environment (Ravasi and Schultz, 2006). Largely underplayed in the literature on organizational identity change, however, is a consideration of the ways in which identity changes during major transformations that require third-order change, such as changes that transcend the boundaries of a single organization. Such identity change is both profound, because it calls into question basic assumptions about organizational identity, and highly complex, because it requires coordination and integration across organizations. Identity change in the context of interorganizational change, in particular, has seen almost no empirical research, although Greenwood, Hinings, and Brown (1994) noted some identity-related dynamics in their study of merging professional firms. Building theory about organizational identity change during such major events, therefore, represents an opportunity to address a notable gap in the identity change literature. In a merger, for instance, two organizations must join to become one. One possible implication of this two-into-one transformation is that the identities of both organizations must undergo substantial change. This prospect led us to ask: by what processes does organizational identity change during radical organizational change events? We pursued this question via a real-time, participant-observation investigation of two top management teams as they worked toward a prospective union between their healthcare organizations.

As in many mergers, our protagonists had long been intense rivals. Eight years after "Community Hospital" (a pseudonym) was founded in the late nineteenth century, a group of disgruntled physicians left to create "Westbrook Hospital" (also a pseudonym) a mere three miles away. The circumstances surrounding Westbrook's creation and the proximity of the facilities contributed to spirited competition for over a century. Then, in the face of declining revenues for both, Community Hospital's chief executive officer (CEO) approached Westbrook's chairman to initiate merger talks. The operating premise was that a unified organization could better navigate a difficult competitive environment. Shortly after we began our study, our data and preliminary analyses led us to formulate a corollary research question appropriate to the merger context we were studying: by what processes do members of the top management teams of prospective merger partners attempt to change and integrate two independent identities into a single, workable identity? Our study took place during the early stages of the merger process. This timing was perhaps fortuitous, in that if scholars studying identity change only examine what happens after a merger, they are likely to miss key dynamics, as much of the foundation for such change appears to be laid prior to the merger. A focus on identity change holds some potential for supplementing the traditional strategic/economic perspective on mergers, which has had difficulty explaining merger outcomes. There is a clear conundrum in the merger literature: despite ostensible benefits to both parties in the union of two organizations, mergers tend to disintegrate at a rate well in excess of what strategic and financial analyses would suggest in advance (Larsson and Finkelstein, 1999). Perhaps a focus on organizational identity change might provide an avenue for new insight into the merger process itself. Our approach to understanding major organizational change, as exemplified by a merger, builds on three main literature bases: research on organizational identity change, the merger context, and sensemaking and sensegiving processes.

ORGANIZATIONAL IDENTITY CHANGE

Some of the conceptual foundations concerning organizational identity change originate from the literatures on individual identity development (Erikson, 1959), personal identity change (Markus and Nurius, 1986; Ibarra, 1999), and professional identity change (Pratt, Rockmann, and Kaufmann, 2006). At the individual level, Markus and Wurf (1987) talked in terms of a "dynamic self" capable of identity change. Markus and Nurius (1986) described people as trying out "possible selves" as a way of changing their identities. Ibarra (1999) captured a related notion wherein people adapt to new professional roles by taking on "provisional selves." Relatedly, Pratt, Rockmann, and Kaufmann (2006) described a number of processes whereby resident physicians' professional identities changed over time. These changes were triggered when the residents' sense of their own professional identity did not match up with the nature of their work and the context within which the work was performed, leading them to adopt a different sense of their professional selves as physicians. These works all suggest not only that individual and professional identity can change but also that a key process for accomplishing such change involves evaluating alternative possibilities for becoming a "revised self."

At a more macro level, organizational identity change has been characterized by some as a lengthy process that plays out over many years (Albert and Whetten, 1985) and by others as a relatively rapid process, for example, in cases involving spin-offs (Corley and Gioia, 2004). Regardless of the assumptions made about the pace of identity change, changes in organizational identity often have been found to be associated with major organizational changes. Dutton and Dukerich's (1991) analysis of the New York/New Jersey Port Authority highlighted how outside pressures (and differences between insiders' and outsiders' perceptions of identity) brought about changes in organizational identity in addition to behavioral and strategic change (see also Ravasi and Schultz, 2006). Subsequently, Reger et al. (1994) explored the link between attempted organizational change and organizational identity in the context of a total quality management (TQM) initiative. They concluded that a change in identity is required to successfully implement some forms of major organizational change, such as a shift toward TQM.

Ensuing studies cast the association between identity change and organizational change in the context of more complex sets of relationships. Gioia and Thomas's (1996) grounded theory investigation of a university found that altering the university's identity through a new vision was important for adapting to changing environmental demands. They also uncovered a linkage between identity and a "desired future image" that served to destabilize existing identity and helped to marshal support for organizational change. Elsbach and Kramer (1996) also found a relationship between organizational image and identity change in their examination of business school rankings as identity threats in top-20 business schools. They showed that insiders' perceptions of dissonance between organizational identity and reputational feedback from outsiders had notable effects on identity. Corley and Gioia (2004) focused attention on the dynamics associated with identity in a company that was being spun off from a large corporation. They uncovered a key role for "identity ambiguity" in creating a state of flux that needed to be resolved to accomplish identity change in the newly independent entity. Overall, existing studies all suggest that major organizational change implies the need for changes in organizational identity if the change process is to move forward. They make clear that organizational identity change is a difficult process laden with uncertainty and ambiguity and that cognitive processes are implicated in any attempt to change identity.

Mergers as a Context for Studying Major Organizational Change

Given the stakes involved in mergers, it is not surprising that they have been a frequent topic of theory and research, particularly in the strategic management literature. The dominant view in this literature is that mergers are primarily strategically driven events that intend to improve organizations—by enhancing competitive abilities in an industry, providing entry into a new industry, or by building or repairing a reputation (e.g., Lubatkin, 1987; Schweizer, 2005; Fang et al., 2007). Outside of academia, media accounts of mergers also tend to emphasize their strategic aspects (Vaara and Tienari, 2002). A smaller body of research centers on the role of behavioral phenomena in the merger process. Some authors argue that differing organizational cultures are a challenge for many merger efforts (Buono, Bowditch, and Lewis, 1985; Greenwood, Hinings, and Brown, 1994). Others have studied more micro-level behavioral issues such as employee stress (Schweiger and Denisi, 1991), anxiety (Astrachan, 1990), job dissatisfaction (Barrett, 1973), turnover (Walsh, 1988), and perceived justice (Ellis, Reus, and Lamont, 2009). The focus on these factors highlights the important role of cultural and behavioral elements in any attempted union of organizations and provides insights unavailable from work centered mainly on strategy.

Another set of studies considers how cognitive processes influence mergers. Greenwood, Hinings, and Brown (1994: 252), for instance, studied the union of two large accounting firms and found that perceived differences in professional standards between the two firms led to an "escalating intensity of frustration" that worked against integration. Knowledge transfer was the focus of Empson's (2001) examination of three mergers across six firms. In particular, knowledge transfer between the merging partners was weakened by individuals' perceptions that the partners' external images varied in quality. Vaara (2003) used a sensemaking perspective to study the union of a large Finnish furniture manufacturer and three smaller Swedish furniture companies. Integration of the partners was slowed by ambiguity, cultural confusion, hypocrisy, and politics in post-merger decision making. Taken together, these studies highlight cross-level processes wherein individual-level issues such as differing interpretations and poor interpersonal communication interfere with the union of organizations.

How individual and organizational identity issues can affect mergers has been the focus of several studies. Vaara (2001) adopted a sociopolitical perspective in tracking the merger of two Finnish firms, which broke down after five years. Role identity issues at the individual level among executives gave rise to counterproductive sociopolitical forces, high levels of tension, and severe conflict. Identity in the merger of two large insurance firms was the subject of Maguire and Phillips' (2008) study. They found that institutional trust was initially damaged by the ambiguity of the new organization's identity. Once the identity of the new organization became less ambiguous, institutional trust was undermined by the absence of employees' identification with the new organization, especially among those who identified closely with their original organizations. Van Knippenberg and van Leeuwen (2001) found that employees of merging firms identified more with a merged organization when there was a clear continuity from a pre-merger organizational identity to a post-merger identity, a situation that is problematic when prospective merger partners have strongly held but differing organizational identities. These findings suggest that how identity—and by implication, identity change—is managed can affect the merger process. Overall, despite evidence that cognition constitutes a central element of the strategy process (e.g., Schwenk, 1988; Huff, 1990; Gioia and Thomas, 1996), there is relatively little research on the cognitive dynamics involved in mergers, in general, and the role of identity change during mergers, in particular. We therefore believe that additional theory building is required in these domains. Our conceptual points of departure for pursuing such theory building are the concepts of sensemaking and sensegiving.

Sensemaking and Sensegiving

Managerial sensemaking involves selective information processing, interpretation, and action taking aimed at reducing ambiguity and developing plausible schemes for further interpretation and action (Weick, 1979, 1995). Sensegiving refers to processes that top managers use to influence others' constructions of meaning in attempting to create some preferred (re)definition of organizational reality (Gioia and Chittipeddi, 1991; Pratt, 2000; Maitlis, 2005; Maitlis and Lawrence, 2007). Via sensegiving, managers attempt to shape stakeholders' interpretations and elicit acceptance—by providing information, appealing to the values of stakeholders, framing strategic issues, and mobilizing routines that direct attention to some issues and not to others (Tushman and Romanelli, 1985; Ketchen, 2007). Such transformations inevitably create ambiguity, which is perhaps the primary trigger for both sensemaking (Weick, 1979) and sensegiving (Maitlis and Lawrence, 2007). For that reason, sensemaking and sensegiving are likely to be linked as top managers interact with, interpret, respond to, and learn from the many stakeholders involved in a merger. Perhaps most importantly, each top management team is trying to make sense of, and give sense to, its primary stakeholder and counterpart in the merger enterprise—its prospective merger partner. From this perspective, making a merger work depends to a significant extent on the ability of the top management teams of each organization to reorient current modes of thinking and acting by initiating and managing major cognitive shifts on the part of members of both organizations. People in each organization to be merged, therefore, must either revise or relinquish their existing sensemaking bases and frameworks (including their organizational identity) and forge in their place new, different, and shared ways of making sense of who they are in a competitive domain (Greenwood, Hinings, and Brown, 1994).

Although the dynamics of top-down strategic change in organizations are reasonably well understood (e.g., Quinn, 1978; Gioia and Chittipeddi, 1991; Rajagopalan and Spreitzer, 1997), relatively little is known about the processes of sensemaking and sensegiving within and between organizations attempting to accomplish a major interorganizational change such as a merger. As Baier, March, and Saetren (1986) observed, the successful implementation of major change depends on stakeholders who, in many cases, have considerable discretion to choose how to respond to (or even alter) the original objectives of a change effort. Because mergers involve multiple actors—including top managers, employees, and government agencies—with varied preferences and interpretations, merging is often an extremely equivocal process (Thomas and Trevino, 1993) that may turn on the sensemaking and sensegiving processes various parties use. Bartunek et al. (1999) highlighted the importance of congruence between sensemaking and sensegiving during strategic change, suggesting that for effective change to occur, the two processes should be coupled.

Integrating the Three Literatures

The grounds for generating new theory becomes evident when significant gaps in the literatures on organizational identity change, mergers, and sensemaking and sensegiving are considered together. Existing studies on organizational identity change have examined single organizations only, thereby leaving identity change processes that transcend organizational boundaries unexplored. Yet such changes are among the most profound that an organization can endure. A major interorganizational change effort such as a merger implies that members of each organization to be merged are likely to have a different understanding of who they are as an organization, which, in turn, implies that they will need to arrive at some reconciliation or integration of their identities to achieve a workable merger. Identity issues during a merger have attracted some research attention in the merger literature (e.g., Vaara, 2001; van Knippenberg and van Leeuwen, 2001; Maguire and Phillips, 2008), but how two merging organizations might make the shift from holding separate identities to holding a single identity remains unknown. Similarly, sensemaking and sensegiving activities have been established as important to managing major changes in organizations (Gioia and Chittipeddi, 1991; Bartunek et al., 1999), but how sensemaking and sensegiving occur between two merging organizations has not been adequately examined. Taken together, these three literatures each point to a need to understand the processes by which organizational identity change unfolds during a merger. Also notably absent from all three literatures is a consideration of what role, if any, might be played by alternative identities during organizational identity change; such a role has been found to be associated with identity change at the individual level (Markus and Nurius, 1986; Ibarra, 1999). Yet when undergoing a major change, organizations struggle to shift from their previous identities to a tenuous, new identity that reflects and instantiates the change. If identity change is going to progress, organization members need some sort of conceptual bridge that links the no-longer-viable old identity and the still-nebulous new identity. It is the formation of such an alternative and transitional identity that we investigate in this study.

METHODOLOGY

We conducted a real-time, longitudinal, exploratory case study (Eisenhardt, 1989; Yin, 2003) to examine activities within and between two top management teams as they worked toward a possible merger of their organizations. We adopted an interpretive research approach, which gives voice in the interpretation of events in a first-order analysis to the people actually experiencing those events (Van Maanen, 1979), so the insiders' point of view becomes the foundation of the analysis (Van Maanen, 1988). As researchers we then assumed the task of formulating deeper, more theoretical second-order interpretations (Van Maanen, 1979) and reporting the interpretations of the informants in light of both contextual factors and existing organizational literature (Strauss and Corbin, 1990) to develop an emergent, grounded theory.

Two healthcare organizations served as our research sites. Their potential merger represented an extreme situation for both organizations and their executive teams. According to one executive, the merger "is the most significant and profound event that has happened to our organization, and theirs, in the last hundred years." Community Health System was the parent of Community and Rayburn Hospitals (all pseudonyms) and owned ten physician practices, a home health agency, and a medical equipment company. Westbrook Health System was parent to Westbrook Health Center (also pseudonyms), which had a skilled nursing floor in its hospital and an on-site rehabilitation center. Community and Westbrook were the 10th and 11th largest employers in the city in which they operated, with approximately 2,300 and 2,200 employees, respectively. Community had almost 500 beds, Westbrook almost 600.

Officials projected that the merged organization would deliver more babies than any other in the state.

Data Collection

We obtained access to both merger partners as research sites based on a prior research-oriented (i.e., non-consulting) relationship with Community Health System's vice president of planning and marketing. With his support, we submitted a research proposal focused on understanding the dynamics of a merger process to Community's chief executive officer (CEO), who forwarded the proposal to Westbrook's leadership team. After approval of the proposal, on-site primary data collection took place during an 11-month period beginning approximately two months before the formal announcement of the intent to merge. Prior to collecting primary data, we used archival and pilot interviews to understand the historical context of the merger attempt and fill in gaps of knowledge for time periods and key events, some having occurred nearly a century ago. We also tracked the aftermath of the merger archivally and via biweekly telephone interviews for ten weeks after on-site data collection ended. At the start of our main data collection, Community's and Westbrook's top management teams began private discussions about a possible merger. We tracked the merger process thereafter until the state government formally approved the merger. Thus, in the words of an informant, we observed the two organizations "from [their] 'dating phase' through [their] 'marriage.' "

Community and Westbrook agreed to allow us to gather data in three ways. Semi-structured interviews were a prime source of information about the key players' impressions and cognitions, and their anonymity was protected through a written agreement. Participant observation was perhaps the most important aspect of our data-gathering strategy, especially for tracking the intra- and interorganizational dynamics of major change (e.g., by moving back and forth between the organizations) and for providing a means of bridging discrepancies among informants' views (Miles and Huberman, 1994). The participant observer used a formal research diary to record meeting notes, observations, and interpretations. Lastly, archival documents served as a source of triangulation for the ideas that emerged from the qualitative data (Jick, 1979).

We used multiple approaches during data collection to meet Lincoln and Guba's (1985) criteria for trustworthiness. Peer debriefing and assessments of intercoder agreement were two of the most noteworthy. The participant observer met monthly with other members of the research team to debrief them on observations and preliminary findings. Outside team members were able to probe for further insight, suggest means of gaining additional clarification, recommend next steps, and challenge the participant observer by playing the role of "devil's advocate," suggesting alternative explanations for tentative initial findings. We performed intercoder agreement checks, discussed in more detail below, to ensure the trustworthiness of our analytical procedures.

Semi-structured interviews. The participant observer conducted all interviews to maintain consistency in data gathering. Initially, he conducted pilot interviews with members of Community Hospital's Planning and Marketing Department, including the vice president. The main goal of these interviews was to become familiar with the key change issues and constituents. We selected this particular group for pilot interviews because of its lead role in devising and developing communications for the proposed merger. The interview guide used for the initial round of interviews was based on the conceptual framework proposed by Jemison and Sitkin (1986), as well as Wilkins' (1979) cultural assessment questionnaire, and sought to highlight facilitators and inhibitors that might be associated with mergers, alliances, or partnerships.

Following the pilot interviews, the participant observer conducted 33 formal interviews with members of the two top management teams over the 11-month period. Community's team included seven members: the chief executive officer (CEO), who was interviewed five times, chief financial officer (CFO, two interviews), chief operations officer (COO, two interviews), and the vice presidents (VPs) of legal services (two interviews), external and government affairs (two interviews), planning and marketing (four interviews), and managed care (two interviews). Their average tenure at Community was 10 years. Westbrook's team consisted of six individuals: the CEO (interviewed five times), the CFO (interviewed twice), the COO (interviewed twice), the VP of managed care (one interview), the VP of clinical integration (interviewed twice), and the VP of legal services (two interviews). Their average tenure was four years. We interviewed the two CEOs on more occasions than other informants because we came to understand that they had the most thorough vantage points on the merger process. Moreover, the CEOs were privy to all confidential communications and interactions, including those with the law firms, consulting firms, and government agencies involved. Because Community's VP of planning and marketing emerged as a central player in the merger process, we interviewed him four times. Given that 19 of the 33 interviews relied on informants other than the CEOs and this VP, however, no informant's interpretations dominated the study.

The interviews ranged between 60 and 90 minutes in length. The initial interviews focused on similarities and differences between the two organizations and their top management teams, strategic issues and key stakeholders surrounding the proposed merger, the roles of the organizations' historical rivalry and other competitors in the change process, as well as personal implications of the merger. As themes emerged from the data, we focused the interviews on investigating those themes in more depth, which facilitated our effort to uncover both patterns and inconsistencies across informants and to identify relationships among concepts. Most interviews with executives occurred within one day of, and usually the day of their respective executive team meetings, which enabled the participant observer to more effectively compare and contrast data between the two hospitals. The Appendix displays our basic interview protocol, which was adjusted as needed to fit the specifics of each interview.

Participant observation. The participant observer "job shadowed" executives at both organizations for a minimum of one day a week during the 11-month project. We made efforts to job shadow executives with similar roles and responsibilities, one at each hospital, within the same time frame. We sought input from the respective CEOs in selecting and scheduling the best candidates for job shadowing and interviewing, as they had insight into who was most central to merger planning, and when. During these visits, the participant observer kept a formal research diary containing detailed field notes. The most important settings for gathering observational data were meetings of each organization's executive team (generally two per month per team), because these meetings provided the most useful insights into each executive team's concerns about their merger partner and the merger itself. Both CEOs permitted the participant observer to attend these meetings and take detailed field notes. We were not permitted to record these meetings, however, so we devised a method that we dubbed "dialogue sampling" to try to preserve the meetings' natural language, tone, and content. While taking notes, the participant observer captured complete sentences and key phrases with direct quotes from participants. Within 24 hours, he also constructed a detailed memo capturing each meeting (cf. Yin, 1984). Follow-up conversations with individual managers held immediately after each meeting augmented these observations. He later used meeting minutes to triangulate the accuracy of the content.

The participant observer's systematic, weekly movement back and forth between the two organizations helped ensure that he did not become attached to one side's viewpoint, as did frequent debriefings with other members of the research team. Out of 42 executive team meetings held during the 11 months, the participant observer attended 16 meetings of Community's executive team and 13 meetings of Westbrook's. We acquired minutes for the 13 executive team meetings that the participant observer was not able to attend (seven at Community and six at Westbrook). The participant observer also attended 11 other meetings involving planning for the merger and communications. This was roughly two-thirds of the potentially relevant formal meetings held during the primary data collection period. In selecting which meetings to attend, the participant observer gravitated toward joint meetings of the executive teams and toward meetings that exposed him to staff's concerns about the potential merger, such as question-and-answer sessions with mid-level managers, nurses, and doctors. All 11 meetings were devoted primarily or in large part to merger-related issues; as such, they provided further insight into the perceptions of key stakeholders. It is possible that the potential merger was discussed in unique ways in meetings that the participant observer did not attend that would have generated different insights. Various informants attended such meetings, however, and they did not provide us with any indication that such unique discussions occurred. Lastly, informal encounters (e.g., lunch), chance meetings, and other forms of conversation were also important data sources.

Archival data. We also amassed unobtrusive data related to the merger process (Webb and Weick, 1979). Our archival sources included minutes of other meetings relevant to the merger (e.g., strategic planning sessions, communications planning, and health maintenance organization planning). Other documents included strategy statements, newsletters, performance reports, and memos. Community's Planning and Marketing Department gave us access to all departmental mail, including confidential reports and internal memos, and provided copies of all local news stories relating to the merger. We used the archival documents as a secondary data source (Jick, 1979), providing insight into the context and storyline of the merger process. These archival documents also helped facilitate discussions with informants about the themes that emerged from the data.

Data Analysis

We moved from our data to grounded theory by applying the processes of naturalistic inquiry (Lincoln and Guba, 1985), including constant comparison and theoretical sampling (Glaser and Strauss, 1967). We cycled among data, emerging theory, and relevant literature to develop a deeper understanding of the dynamics of the merger process as they transpired. Our initial approach was a first-order analysis (Van Maanen, 1979) involving a thorough coding of the interview and meeting transcripts. We developed a fine-grained coding scheme consisting of 57 in vivo (Strauss and Corbin, 1998), first-order codes (Van Maanen, 1979). We applied these codes, which were primarily based on informants' own language and terms to the entire database of interview text, analyzed (noting nestings and overlaps) and consolidated them into 25 informant-centric concepts. Using the constant comparative method, we repeatedly compared data over time and across informants to discern the major concepts of interest. We relied on informants' own language (Strauss and Corbin, 1990) as the source of our concept labels whenever possible. We used short phrases expressed in first-order terms when an in-vivo code was not directly available or would violate confidentiality agreements.

We used a computer-based qualitative software application designed to aid in coding and analyzing text throughout the entire process. The program facilitated the multiple waves of coding described above, and we also used it to identify nestings and overlaps among codes. Furthermore, the software enabled us to efficiently search and consolidate quotes. To instill confidence in our assignment of codes to appropriate categories, we used two outside coders to assess our coding scheme independently. The level of agreement on codes was 87 percent. Disagreements, either between the outside coders or between the researchers and the outside coders, were discussed until we achieved consensus. This additional step helped ensure the trustworthiness of our coding scheme and the emergent theoretical framework (cf. Lincoln and Guba, 1985). Although a "pure" approach to interpretive research does not normally include intercoder agreement assessments, we wanted to lend an additional degree of rigor to the analyses and assure ourselves that we had convergence on key aspects of our coding scheme, thus boosting confidence in the plausibility of our interpretations. For these independent coding checks, we first gave each coder definitions of the first-order concepts and asked the coders to match these concepts with a sample of informants' quotes or phrases taken directly from the raw textual data.

The first-order concepts helped unveil key elements of the informants' meaning systems but not the deeper patterns or relationships in the data. To discern themes that might constitute the basis for developing a grounded theory, we used a more structured second-order analysis to view the data at a higher level of theoretical abstraction (cf. Gioia et al., 1994). We again used constant comparison techniques and the software program to assist in discerning second-order themes that subsumed the first-order concepts (Glaser and Strauss, 1967; Strauss, 1987). After again examining category nestings and overlaps, ten second-order themes emerged: perceived threats, complexity/dynamism of the stakeholder landscape, identity ambiguity and confusion, current identity, sensemaking via image comparison, local identification, transitional identity, projected future identity, sensegiving via image management, and collective identification.

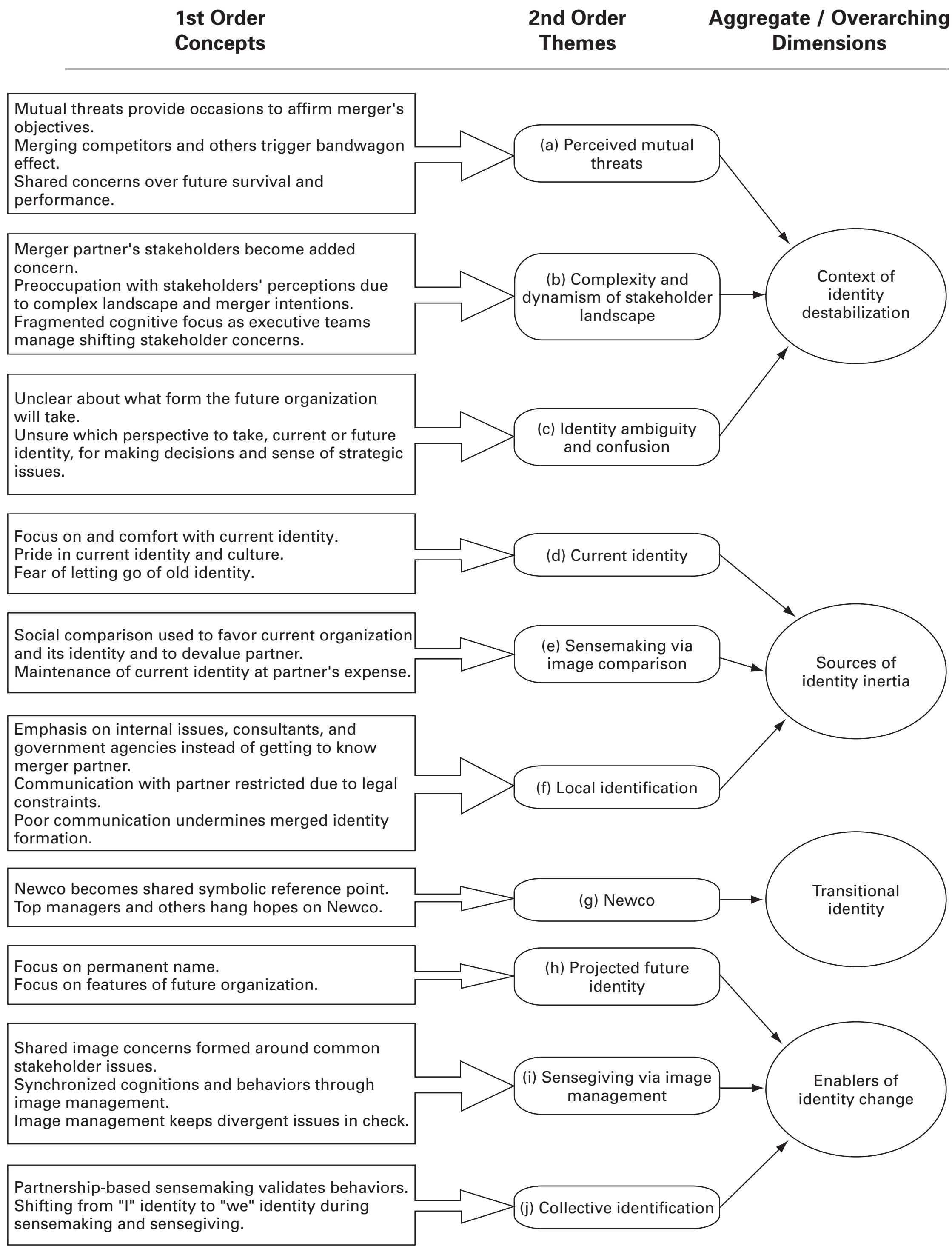
In the third stage of our analysis, we assembled our ten major themes into aggregate dimensions. This process involved the relatively straightforward task of examining the relationships among first-order concepts and second-order themes that could be distilled into a set of more simplified, complementary groupings. Ultimately, we consolidated the themes into more general dimensions of analysis that captured the overarching concepts relevant to the merger process. Four aggregate dimensions resulted: the context of identity destabilization, sources of identity inertia, transitional identity, and enablers of identity change. Lastly, we conducted "member checks" with our informants to gain confidence that the emergent analytical framework was sensible to and was affirmed by those living the merger experience.

FINDINGS

Figure 1 shows the data structure for our findings. It depicts the four main dimensions that emerged from our analyses (right side of the figure), as well as their constituent second-order themes, and the first-order concepts that led to the formation of these themes (middle and left side of the figure, respectively). The overarching emergent dimensions include the context within which identity destabilization occurred, the sources of identity inertia for both organizations, the enablers of identity change and, perhaps most notably, the emergence of a transitional identity.

The interplay among these dimensions and their components was not as straightforward as suggested by the figure. Some events were recursive, and many overlapped in time. For example, contextual features that led to identity destabilization played roles throughout the process, rather than disappearing once the sources of identity inertia and the enablers of identity change became more prominent. For clarity of explanation, however, we discuss the emergent dimensions

Figure 1. Data structure.



and their constituent themes individually, while acknowledging their complexity and interactivity.

Table 1 provides representative supporting data for each second-order theme. We report our findings in a descriptive findings narrative, including additional representative quotes

Table 1

Representative Supporting Data for Each 2nd Order Theme

2nd Order Themes	Representative 1st Order Data
a. Perceived mutual threats	"We've both just been through downsizing. We both have a shrinking organization. Without the merger we would continue to shrink in this very competitive environment." "The admissions data I see are scary. The future may hold a downturn in overall admissions for hospitals in our region." "If the merger fails, our demise will come." "The more I think about it, the more it seems our survival depends on the success of this merger." "What are we going to do if the merger doesn't go through? Our business strategy does not include a backup plan." "If the merger doesn't go through, I don't know how we're going to recover. It has to go through. Furthermore, we both have sunk a lot of resources into the effort." "We read and hear about mergers going on almost every day in our industry. We don't want to be left behind." "Doctors should be made aware of the threats from competitors they are going to face right alongside those of us who are administrators."
b. Complexity and dynamism of stakeholder landscape	"The staff is worried about possible layoffs as a result of the merger. Just another of several concerns we have." "We can't ignore the implications of the alliance for our two unions." "The attorney general keeps raising the theme of having a single campus. They keep asking why we shouldn't be pursuing this model. This is a very tricky question for us to answer because it could be incriminating." "As a customer, I don't want this merger to create a monopoly of the healthcare in the area and lessen the quality of treatment." "We don't want to alienate Montclair Hospital if their merger discussions with University Medical Center break down." "Maybe we should go ahead and build a Neonatal Intensive Care Unit (NICU) center at the other campus and just let emotions blow over. The merger should just move ahead without them. We can't have 600 doctors upset because six are resisting. The orthopods are now wondering why they have to sacrifice. This could turn into a domino effect." "My family has always believed in Westbrook, its doctors and staff, and I would prefer things stay the way they are."
c. Identity ambiguity and confusion	"I don't know what the future holds for the merger. We don't know how to be a pair. We don't know what the merger will become beyond five years from now. All we can do is make our best guess as to what the future will be and try to position it accordingly." "The lack of a name is a huge problem, because the name is going to speak volumes about who we will be and whether one of us is going to dominate." "We have to keep asking ourselves questions about what's best for the today's company and what's best for the merged entity. We're torn between the present and the future." "I think both organizations are feeling schizo. Community Hospital is making long-range corporate competitive decisions while we've been holding back." "I don't like the unilateral dynamics going on. People are looking at our competitors and not thinking about the possibility of us being merged as seriously as they should."

(*continued*)

Table 1 (*continued*)

Representative Supporting Data for Each 2nd Order Theme

2nd Order Themes	Representative 1st Order Data
	"Our cardiologists want us to market them more aggressively. The issue keeps coming up in our conversations with Westbrook. However, we have to be responsive to our cardiologists. We'll just have to advertise. I know that Westbrook isn't comfortable with this because we don't look like one merged system but we just have to behave competitively."
d. Current identity	"Westbrook and Community both are wedded to their own structures. It's part of who each one is." "We have a legacy. So much has been invested in it. People don't want to walk away from that." "Community has always been a progressive organization. We take pride in that, especially in the way we drive our strategy and strategic planning process." "I have to put my Westbrook hat on now. We have to think of who we are and our own welfare at times like these." "Community's board, our board, is considered the true blood of our city." "In our discussions with [the Westbrook CEO], he said we should keep the names of both hospitals intact so as not to lose the 100 years of what we've built up." "During the merger process we've still put a lot of energy into making the Westbrook name better known in the community. Our brand means a lot to us." "Based on recent surveys and focus groups we have a very positive image among the members of our staff." "It is clear from recent conversations and interviews that people place a high value on the current name of our institution."
e. Sensemaking via image comparison	"I think everyone watching this process agrees that our protocol for communicating with the OB doctors is superior." "Westbrook thinks our thinking is substandard. No matter what they think, we continue to deliver quality care." "Westbrook is more detail oriented and tactical. We're just not like that at Community. We consider ourselves more strategic." "Westbrook's board is smaller and makes most of the decisions. Community's board is much more inclusive." "Our approach to the merger is very gentlemanly. We are seeking to be the 'pleasant bride' as we go forth in this marriage. Community is mired in minutia but still maintains a commanding strategic focus." "Realistically, I know very little about our merger partner. Based on what I've seen, I think they are still trying to protect themselves." "We are not out there beating our drum the way managers are at Community. We stick to the knitting, our buildings are cleaner and I think our equipment is better maintained. Community looks to be in more disarray." "The important things often seem to be said by Community managers, at least that's the way some people see it. Meetings are usually configured by Community folks. They set agendas. Community's CEO even takes the head position at a table and it's obvious from his body language that he thinks he's in charge."
f. Local identification	"We cannot consult together to close beds or facilities until after the consolidation is approved. We can't make commitments until we know the future of the alliance. It's tough to think of ourselves as a united organization until stuff like that happens."

(*continued*)

Table 1 (*continued*)

Representative Supporting Data for Each 2nd Order Theme

2nd Order Themes	Representative 1st Order Data
	"We have to wait to get a go-ahead from the attorney general before we can proceed jointly planning about several key issues, such as cardiology. Until then, we can only think of ourselves."
	"Where we will put most of the beds and at which facility and who will rent space from whom? We can't have this discussion until the consolidation is behind us. Until then, I'm focusing on us."
	"There is more we would tell the doctors about the merger if we could, but our hands are tied right now."
	"It is time for us to go into that market competitively with or without the merger. It's what's best for us. The stakeholders that relate to us expect us to do these kinds of things. We should start growing more primary care practices because we can't get enough of them."
	"I don't think we can sustain another layoff and survive. People won't stay loyal to us if we're not loyal to them. They identify with us."
g. Transitional identity: Newco	"The vision of Newco is falling into place, and has been for awhile, but people below us don't feel like they know enough. The proposed marriage is like stages of dying: shock, anger, denial, grief, and acceptance. We're going through it."
	"I have been watching the merger process unfold and I think we should start thinking about team building, at least in advance of the merger. Maybe, as Bill suggested, team building should be more central to the Newco team."
	"Newco is going to buy us five more years of survival and then some."
	"We should tell the physicians that Newco is becoming a reality and alert them to threats they are going to face right along with us."
	"Establishing areas of emphasis assumes Newco will go through. It's time to start telling the doctors to their faces that Newco is real because it is becoming more real every day."
	"We have a mission statement described in the 'Principles of Alliance' for Newco. It's extremely useful for helping to structure relationships."
	"For now, we'll make a mild splash in the water with our strategic planning document for Newco and target our major announcement in [April], after we know if the merger is approved."
h. Projected future identity	"When we give Newco a [permanent] name it will give the impression of progress. We're sending the wrong message if Newco's without a name for the first six months."
	"I see our merged entity as having more positive relationships with insurance providers. I can see more success with insurers down the road."
	"If we get the merger approved, we can turn our cardiac marketing campaign into a joint campaign. We could become the go-to system with great visibility in the marketplace."
	"Eventually it's going to come down to us vs. University Medical Center. Those will be the two major players in the region. Once we have merged, we will operate at a much higher level of competitiveness."
	"There are those who think we should move to a single campus model, yet both executive teams are in agreement that a multi-campus model is the way we want to go and what we want to be about."
	"We will be so much more competitive after the merger."
	"When the merger is complete we want to become a system with a lower mortality rate at our new heart institute."

(*continued*)

Table 1 (*continued*)

Representative Supporting Data for Each 2nd Order Theme

2nd Order Themes	Representative 1st Order Data
i. Sensegiving via image management	"Representatives of the Attorney General's Office are planning to tour our two facilities. I've been on the phone with Westbrook's CEO to discuss what to say and what not to say on this tour so we'll send a common message."
	"We have to be careful about what joint message we're sending each stakeholder."
	"We drafted a letter that stated we wouldn't advertise our cardiologists as number 1 in the region. . . . Westbrook is taking it as evidence of lack of collaboration in the relationship. The letter looks like we are promoting anti-competitive behavior. That will get us in trouble with the attorney general. Now that it's in writing, we can't look like we're not competing. We should send a joint letter to the attorney general and show them we are competing."
	"We need to give our board members enough information so that if they run into doctors they can tell them which services are going where. We don't want them to appear ignorant. We need to arm them with information that says there are going to be enough beds at both hospitals after we merge."
	"We can't be invisible in the marketplace while the merger is going on. We should tell Westbrook to be as visible in the market as we are so we won't run into questions about who is more visible."
	"The many meetings we are having are intended to keep the peace and appear unified. We don't want any of our stakeholders to become overly energetic."
j. Collective identification	"I had a meeting with Community's CEO about managed care contracting. We both agreed it would be valuable for us to have a joint product in the market. It will help bring us together as a single unit."
	"Let's work together with Westbrook to start splitting catering expenses for all our joint meetings. We are getting in the habit of cooperating on everything."
	"We are working together to decide on a bank for the new system. We should have all system employees in one group."
	"The merger is a merger of equals and that's the way we see it and the way they see it."
	"We're going to have some very exciting projects to work on together, including the construction of new facilities that will help us face down the competition together."
	"We are working together to create leases that are structured flexibly to accommodate possible growth after the consolidation. We have to do that if we're going to be one system. We're all going to be in this together."

from informants. When findings are not explicitly captured by a representative quote, we provide the source(s) of the findings in parentheses.

Context of Identity Destabilization

In the initial stage of our research, the executive teams of both organizations involved in the proposed merger were reassessing their organizations as individual entities and considering the implications of becoming a unified entity with a notably different identity (interviews, research notebooks). Our analysis indicated that three factors contributed to destabilizing the existing organizational identities: perceived mutual threats, the complexity and dynamism of the stakeholder landscape, and ambiguity and confusion about future identity. Taken together, these elements created the context for identity change for both organizations.

Perceived mutual threats (a). Community and Westbrook faced the same ominous trends, and executives in both organizations began to see each other as the source of a possible solution to coping with them. Neither facility was immune to the macro-environmental challenges that hospitals in general were facing: "We are projecting a 3% decline in admissions. We also have inflation hitting us hard. . . . Big Medicaid and Medicare cuts are imminent. I heard that 40 hospitals in our state could go out of business over the next five years. Our hospitals could not withstand these cuts" (CEO, Community Hospital). Many hospitals were responding to these trends by seeking consolidation. As a Community executive put it, "We know the stand-alone hospital is going the way of the dinosaur."

The local situation added additional threats. Rivalry in the area was poised to increase when two regional competitors, Montclair Health and Ridgeway Hospital (both pseudonyms), announced a strategic alliance. Soon, University Medical Center (the largest and most feared local competitor) announced plans to join the Montclair-Ridgeway alliance. Community and Westbrook executives viewed this latter move as a serious problem for both organizations: "University is a clear competitive threat. There is no doubt about that among anyone in either organization." The emergence of the Montclair-Ridgeway-University troika made it clear to executives that they too needed to consider consolidation opportunities soon: "University Medical might buy a building not far from Westbrook and Community and turn it into a premier women's center, which will put pressure on both of us. We need the merger to help counter these actions." Executives of the two focal hospitals soon came to view their merger as important to organizational survival (research notebooks). As one top manager noted, "Our first priority right now is the Community–Westbrook merger. We do it or we die." Another said, "We have no contingency plan if the merger doesn't go through." Overall, as one Community executive said, "Community and Westbrook are basically owned by the same community, have the same market, and the same status, so this merger makes a lot of sense."

Complexity and dynamism of stakeholder landscape (b). Almost immediately following the merger announcement, a variety of key parties began questioning the proposed union. The medical staff was perhaps the most recalcitrant set of stakeholders. The doctors as a group were apprehensive: "All this merger and acquisition activity scares our doctors to death. It causes them to begin second guessing everything." Two medical areas stood out as most complex: obstetrics and gynecology (OB/GYN) and cardiac care. Fierce rivalry had long existed between the two OB/GYN staffs. As a Westbrook executive noted, "Community and Westbrook OBs are like the Hatfields and McCoys shooting back and forth at each other. Always have been." The implications of basic issues such as the number of doctors on each side were ominous. According to a Westbrook executive, "Since there are more OB docs at Community, there's fear that they will dominate things if the merger happens." A possible compromise wherein the OB staffs would remain physically and structurally separate if the merger happened caused concern among cardiac doctors. An executive wondered, "Why should the cardiologists relocate if the OBs don't?" Because cardiac care was a prominent area in both hospitals, stakeholders in these units had to be addressed carefully: "It's an issue for our partnership, an issue for our merger consultants, an issue for the law firms, an issue for the doctors, and if we're not careful, it will become an issue for the attorney general." Rumors circulated that the OB/GYNs had retained an attorney to fight the merger (informal conversations). In an overt sign of discontent, small cards reading "Stop the Merger!" were glued to restroom ceilings (participant observer's observations).

External stakeholders also contributed to complexity and dynamism as their preferences became prominent at different times during the merger discussions. Concerned that the merged entity would possess too much local market share, the state attorney general initiated informal fact finding and, eventually, an anti-trust investigation. His preference was that the two hospitals locate all activities on one site. Executives worried about the competitive implications: "The attorney general and others are suggesting that a single campus might bring greater cost savings than we are currently proposing. But we always run the risk of selling off one campus and then having a competitor come in and buy it up. How would you feel if, say, Lifespan Health System [another pseudonym] bought the other campus and moved in right next door?" Insurers also contributed to the complexity of the merger context. As one executive noted, the merger initially ". . . had their [the insurers'] unanimous support or they had no opinion. We talked to all of them and they said it made sense." After Community and Westbrook pondered the possibility of forming their own health maintenance organization (HMO), however, the region's largest insurer publicly questioned the merger plan (archives).

Identity ambiguity and confusion (c). As planning for the merger progressed, executives found themselves in a state that Westbrook's CEO described as "schizophrenic": "University Medical is taking advantage of the schizophrenia we are experiencing here at Community and Westbrook by publicizing their alliance. They know we can't be sure of this merger's outcome." Each executive team was mindful that the initiative could fail (research notebooks). If a team made decisions intended to benefit the merged entity, and the merger did not happen, that team's facility would suffer in the future. As one executive said, "If you don't behave in a competitive manner today, you're way behind if the merger is *not* approved." Another lamented, "There is some confusion about whether we should be supportive of our own medical staff now or try to move them to a future state assuming the merger will be final. We go back and forth between trying to think about and explain who we will be in the future [as a merged entity] compared to who we are today." Another executive emphasized the frustration that identity confusion created: "The frustration is that until we are merged, we have to act separately. . . . There are colossal communication problems associated with this merger. We aren't married yet. We would like to make decisions as a merged entity, but the marriage doesn't exist. So we have to act as if it *will* exist."

Overall, each executive team felt forced to "behave as competitors even though our hope for a better future depends on cooperating." One outcome was a lack of clarity about allegiance. One executive spoke of wearing "two different hats, neither of which fits, and feeling a need to switch between them." Another observed, in overt identity terms, "We have to continue weighing our present self with our future self." In essence, the executive teams had to split their loyalty and attention between their old identities (Community or Westbrook) and their intended future identity (the merged entity). Or, as one executive phrased it, "With the merger the essential question becomes, who are we?" and another who asked, "Who will we become as an organization?"

Behind the scenes, there was also a lack of clarity about the form the eventual partnership would take, especially about whether one organization would dominate (interviews; research notebooks). Privately, Community's CEO seemed to view the relationship more as an acquisition than a merger. He called the merger "my idea" and planned to use his facility as the template for the joined entity: "I want [the merged organization] to be lean and mean like we are now," and "We need by-laws . . . patterned after Community's." Meanwhile, Westbrook's executive team viewed the proposed union as a bona fide merger and recognized the need to communicate commitment to its partner. As one Westbrook executive noted, "We need to get the merger set in everyone's minds. We don't want to suggest anything equivocal to Community." To us, as researchers, these differences connoted identity ambiguity, confusion, and destabilization as the merger process developed (research notebooks).

Sources of Identity Inertia

Meanwhile, several forces acted to inhibit identity change: the tendency of the merger partners to focus on their current identities, to engage in self-focused sensemaking via images that denigrated their prospective partner, and to concentrate on local/internal identification.

Current identity (d). Both teams indicated that surrendering their existing sense of "who we are as an organization" in favor of some new, shared identity was a challenge. Executives wanted the merger to go through because of its strategic importance, but they wondered if the two organizations could mesh effectively (interviews; research notebooks). One executive noted, "We'd like to move ahead looking like good marriage partners, but I'm not sure we're compatible.

We're different. We take pride in the very differences that distinguish us."

Each team realized that merging would mean surrendering a unique and valued identity that had evolved over more than 100 years (interviews). A Community executive noted, "We have people who want to retain the identity of their own hospital. They have a lot invested in it, you see. . . . Our doctors and nurses, for instance, are happy to be a part of this institution. Their identity is wrapped up in it. Our administrators have put their hearts and souls into making the organization what it is." A Westbrook executive made it clear that the merger ". . . is a threat to our legacy. We don't want to scrap the rich tradition of our hospital. We have alumni who are concerned about retaining our old identity." As our informants repeatedly noted, the possibility that the merger might not materialize encouraged members to hold onto their old identities. From our vantage point as researchers, it appeared that the need for each facility to honor its own heritage, as well as the uncertainty surrounding the merger's outcome, created a tendency to resist giving up a familiar past and present to embrace an unfamiliar future (research notebooks).

Sensemaking via image comparison (e). Although both executive teams believed that the merger made strategic sense, doubt was created as each made comparisons of their team and organization to the other team and organization that cast the partner in negative terms (interviews; research notebooks). Each side saw itself as superior to the other along important dimensions, as is evident in following comparative statements:

> We are having problems working with Westbrook because our technology is more streamlined, so we make faster decisions than they do.
>
> Community's administrative model makes a big glob of administrative overhead horribly visible. We've been more thoughtful about it.
>
> I don't think Westbrook's medical staff is as quality as ours. Simply put, their standards are lower. . . I think the public perceives a difference.
>
> As for Westbrook's top management team, I wouldn't hire any of them.

Each team discussed such disparities relatively frequently (research notebooks). In fact, in their meetings, both teams discussed their differences nearly five times as often as their similarities.

Finances were a source of obvious disagreement. Community executive team members believed that "Westbrook uses weird formulas to determine efficiency. We use real numbers." Westbrook executives' felt that it was Community's numbers that were dubious: "I'm sick of hearing about how financially superior they are. They keep putting their financials up against ours. I got irritated and told them I would put ours up against theirs any time." Each side also saw itself as better at managing staffing levels (research notebooks). Westbrook's view was that "Community has a huge corporate staff—a cast of thousands. There are lots of cats and dogs that shouldn't be there." Overall, the process of making sense of their counterparts via comparison of comparable activities led each team to devalue its prospective partner (research notebooks). From our standpoint as researchers, such comparisons seemed to discourage each side from giving up its current identity in favor of constructing a new identity in partnership with a team that team members viewed as inferior.

Local identification (f). After the decision to proceed formally with the merger, the government-mandated "quiet period," a phase that precedes almost all mergers, placed limits on interactions between the to-be-joined organizations. As one Westbrook executive noted at the time, "During this quiet period, our communications and interactions with Community are 'counterpart to counterpart' only; that is, CFO to CFO, etc. We are having very few group meetings with [Community] and few meetings about the merger even here at [Westbrook]." Another executive observed, ". . . the consultants are telling us not to do any joint ads as partners. Tough to think of ourselves as merger partners when they won't let us act like merger partners!" In general, this inability to communicate with each other fostered inertia that inhibited movement toward a shared identity (research notebooks). The mandated quiet period served mainly to exacerbate a more general tendency for members of each organization to identify locally with—and focus sensemaking on—their own internal organizational issues. As one Westbrook executive said, "We are not sharing managed care information with Community, nor are they sharing that kind of information with us. It's considered strategic and off limits between the two systems right now, so that's making it difficult to relate to them. We're forced to identify only with ourselves. Not the best scenario." Similarly, a Community executive noted, "We have a problem with necessary information being distributed at both Community and Westbrook. That kind of thing is getting in the way of us thinking about ourselves as a single entity."

There was a widespread sense that "What I care about most is us. We helped grow this place to what it is and I like being associated with it. I don't want it to go away." A Community executive asserted "I don't think we should fix things up around here, trying to anticipate a merger, until we've covered our own financial projects. We should come first." More common, however, was the notion expressed by members of both executive teams, as articulated by a key member of Community: "We have a management style that suits us and we'd like to keep it." As the merger looked more likely, members were still inclined to treat even seemingly minor issues from a local perspective:

> One of our issues now [assuming the merger happens] is parking allocation. You're damned if you do and damned if you don't. How do we communicate new parking guidelines to our employees? Even a little thing like that undercuts the way they think about membership in a new organization. It can send a signal that their loyalty over the years doesn't matter. They *like* being a member of *this* hospital. (Vice president, Community Health System)

Considering the patterns in the data led us to conclude that the convergence of legally mandated limited communication and members' preferences for the status quo engendered a stronger focus on local, internal issues and thus an increased identification with one's own organization. The reduced communication during the quiet period also appeared to lessen the salience of the merged identity and inhibited progress toward members identifying with the new organization (research notebooks).

Creation of a Transitional Identity

Newco (g). An impasse arose whenever the topic of a name for the merged organization came up (interviews; research notebooks). Community executives, especially their CEO, wanted to base the new name on Community's name: "With our long-standing reputation in the community and the cachet of our brand, I am convinced that 'Community' should be in the new name." There was a logical business rationale for such a move: a consultant's report revealed that competitors would gain some advantage if Community's strong brand name were abandoned (archives). Yet any attempt to preserve "Community" while dissolving the Westbrook name could undermine the partnership. As one Westbrook executive pointedly said, "If Community's name is used, then ours should be, too, or the idea of a merger between equals is a sham." Another said, "How would you like it if you had your name on a library and we simply tore it down?" Community executives were sensitive to the fact that naming the new entity was as much a political as a strategic decision. As one noted, "We don't want to spend tons of money on naming . . . but we may have to, just to avoid a big fight."

A pivotal event occurred in a meeting of the two executive teams when Community's CEO unexpectedly offered "Newco" as a temporary, generic label for the imagined future organization: "We need some sort of name for the thing we are talking about, even if it's temporary, so I'm suggesting a generic name." A discussion about the merger had begun to stall, and the offering of Newco was an attempt to keep it moving. In a follow-up interview, Community's CEO said that, as this particular discussion stagnated, he realized that the existing attachments held by the executive team members on both sides were so strong that they had to be circumvented before people "could begin to think in terms of surrendering their allegiances and becoming a merged organization with a different identity."

The Newco concept was quickly adopted by both executive teams as a representation of the future merged organization in their oral and written communications, both within and between teams (archives; research notebooks). Newco connoted a general, non-partisan identity with which executives could associate when trying to envision the new organization: "We need to start acting like the top management team of *Newco*. We should be thinking about *Newco* strategy now." A Westbrook executive captured this notion when he said, "Newco focuses everyone's attention in one place, and that's what we need right now." On the basis of discussions with the executive team members, the participant observer noted in his field notes that the emergence and quick adoption of

Newco "helped to encourage a shift away from the prevailing *us vs. them* to a *we* mode of understanding the 'who will we be' question."

As researchers, we recognized that the emergence of Newco was likely to be important, so we began to explicitly track the development of Newco and its influence in the participant observer's field notes. We eventually developed the second-order term for the concept of Newco as a "transitional identity," which we defined as an interim sense held by members about what their organizational identity was becoming. We have drawn on the participant observer's field notes to create table 2, which depicts a simplified month-by-month timeline of significant events associated with the progression of the merger, coordinated with a representative quote concerning Newco from each period. This timeline also alludes to some events that are discussed below.

The table shows that the Newco idea did not emerge until month 5 of the 11-month participant observation period. Thereafter, as suggested by the sample quotes associated with each successive period, the idea of Newco evolved from a "placeholder" used when discussing the merger (months 6–7) to a symbol of the future organization whose features were beginning to be defined, even as debate over a permanent name played out (months 8–9), and then to a common referent and focus of shared interests between the teams during the quiet period (months 10–11). A month after the consent agreement was signed, a new, permanent name was finally selected.

Although Newco's attributes were sparse ("lean," "agile," "proactive," and "strategic"), the transitional identity permitted the executive teams to act as if the merger were really going to occur, even though a workable merger was not definite for much of the time that negotiations were taking place (participant observer observations, notebooks). Executives on both sides recognized that Newco was a temporary concept. As one noted, "Newco isn't an end-game; it's a way-station." Other non-executive members also saw Newco as temporary: "Right now I don't think our administrators want to set a vision for our organization that looks too permanent (informal conversation). Although executives had envisioned the merged entity only "in the abstract," Newco seemed to change their orientation toward the merger, and subsequent comments about the merger and the merger partners were notably more positive after the Newco concept was introduced. Community's CFO, for instance, said, ". . . it helps us put all this emotionalism behind us; now we're starting to think like *Newco* and talk like this thing can actually work." As generic as the Newco transitional identity was, it nonetheless facilitated the merger process by providing a means for envisioning broad concepts like "agile" and "strategic" that eventually could be ascribed meaning and defined in different ways by members of both organizations (research notebooks).

There was also another dynamic by which the transitional identity facilitated identity change: both executive teams recognized that perceptions from outside the two organizations would help to shape Newco. A Community executive said, "It's hard to envision Newco as a united system until our

Table 2

Timeline of the Emergence and Evolution of a Transitional Identity

Timeline	Key events*	Sample quotes regarding name
Pre-study period (approx. one year)	Regional competitors announce intention to form strategic alliance. Community and Westbrook CEOs independently concerned about consolidation in the healthcare industry. Community and Westbrook CEOs begin secretly discussing potential merger.	N/A
Month 1	Community and Westbrook executive teams concerned about alliance and competitor activity in the region. Community and Westbrook executive teams conduct merger discussions.	N/A
Month 2	Intention to merge announced at employee meetings. Physicians' and nurses' union resistance begins.	N/A
Month 3	Intention to merge formally publicized. State attorney general begins informal fact finding.	N/A
Month 4	Federal Trade Commission begins antitrust investigation. Morale problems surface in hospitals. Executive teams try to come up with a name for merged organization.	"We aren't having any luck giving the proposed merger a name." "We need something for people to call this thing. Something to rally around."
Month 5	CEO suggests "Newco" as temporary name for the merged organization. Executive teams begin discussing the nature and name of the future merged organization. More competitor alliances announced.	"It's really a pretty clever name. It offends nobody on either side."
Month 6	Executive teams conclude that the merger is likely to happen. Executive team members jointly participate in public events to show unity. Executive teams begin discussion of permanent name.	"Newco is only a placeholder, but it gives us a focus." "It's survival for us and it works to keep us together."
Month 7	State attorney general begins formal antitrust investigation. CEOs begin formulating strategic vision of merged organization. No convergence toward a permanent name. Each executive team works on strategic plan for its organization, in case the merger does not occur.	"I see Newco having a very proactive top management team, whatever Newco becomes. It's coming together." "We shouldn't make moves that would jeopardize Newco in the eyes of our partner."
Month 8	Continued employee and external resistance to merger. Disagreements emerge between executive teams over permanent name. Discussions continue to focus on defining and naming Newco.	"We need to be more assertive in showing doctors the value of joining Newco, because Newco is going to be real.
Month 9	Attorney general resists merger plan, suggests alliance. Physicians continue opposition. Naming issue remains unresolved. Newco label consistently used.	"We may have to hire consultants to give Newco a name." "We now have the 'Principles of Alliance' for Newco."

(*continued*)

Table 2 (*continued*)

Timeline of the Emergence and Evolution of a Transitional Identity

Timeline	Key events*	Sample quotes regarding name
Month 10	Quiet period begins.	"This is our quiet period. We can't communicate about our joint future or Newco." "We can only sit back and hope Newco survives this process. We're depending on it."
Month 11	Quiet period continues.	"Everyone has their fingers crossed that Newco will be realized, but it sure looks like a go."
Month 12	Quiet period continues.	N/A
Month 13	Attorney general signs consent agreement permitting merger to proceed.	"Newco became a reality." "Newco morphed into [Synergy]. I don't think we would have gotten here without it."

* Events based on archival data and on-site interviews conducted beginning in month 1 and ending after month 11.

stakeholders can see us that way, too." Community's CEO said, "We want to be a seamless, fully integrated system. . . . We want to be agile. . . . That will be what our stakeholders want to see." Another executive team member noted, "We now have two big audiences to cater to—our merger partner and the public" (informal conversation). A Westbrook executive was even more explicit: "The stakeholders who are in favor of this thing expect us to look and act like we are becoming an integrated system. And that's what we are becoming; that's what Newco is about—looking like who we want to become." Newco was strictly a concept used within and between the teams (i.e., we found no instances of public use of the name in any archives). These comments and others like them, however, made clear to us that the executive teams believed that the features of the future organization that Newco represented needed to be perceived as acceptable by both insiders and outsiders (interviews; research notebooks).

Enablers of Identity Change

Three cognitive and behavioral features acted to facilitate convergence about a new identity between the two executive teams: projected future identity (beyond Newco), sensegiving via image management, and collective identification.

Projected future identity (h). Once the Newco label was in place, executives began to envision the desired character of the coming organization (participant observer's observations; notebooks). Initial discussions centered on the need for a substantive name to succeed Newco: "We will eventually need a name for Newco that people can start relating to. Newco works for now, but it's temporary," and more pointedly, "We leave a bad impression if Newco goes on too long without a [permanent] name." Attention also was devoted to the features of an integrated, post-Newco identity:

> We need to start thinking about how Newco will behave as a corporation. How will the boards and management teams behave? We will need new bylaws.

When I think about our insurance, legal, and other relationships, I have begun putting myself into the future mindset thinking about who we will be at a time beyond merger finalization.

We will create a smaller corporate office with fewer administrators, consistent with a lean model that we have in mind for Newco in the future.

From our perspective as researchers, it appeared that as the Newco transitional identity took hold, the executive team members began to treat the creation of the future organization as a coming reality. The projected future identity for this organization included a grander scope of activities—"Hospitals are buying more primary care practices. We should move that way, too. It needs to be a part of whatever Newco becomes"—and being proactive in the market—"We will be very aggressive in seeking new alliances," and "We will be positioned to seek future merger partners."

Sensegiving via image management (i). Many stakeholders doubted that the merger would serve their interests, and each stakeholder group had unique demands (archives; research notebooks). Community's CEO remarked, "We're already dodging bullets. Rumors are everywhere about what's going on." Another executive noted, "In the past, news leaks have gotten us in trouble, like the recent newspaper article that says that mergers in our state are not paying off in terms of savings. We're trying to figure out how to present our Newco position in a way that is acceptable." Westbrook's CEO summarized the situation at a broad level:

[The merger] raises so many questions about whose interests are being served. You have the medical staff, consultants, managers, and others making decisions. Then you have to cope with the politics of all these groups interacting. There are so many different influences at play, each with their own agenda. We need to convey a coherent image to all of them.

Given this complex milieu, it was vital for the teams to communicate a consistent image to stakeholders, which led the executive teams to further downplay their differences and emphasize their emerging identity as members of Newco. A Community executive said, for instance:

Keep in mind that it is us saying that Westbrook has a quality control problem, but we can't put that kind of statement out. Don't touch this! because it could interfere with our relationship with Westbrook. So far we've done a good job avoiding who's better than whom in our public discussions. Let's keep it that way.

The communal sense of a Newco organization intensified when the attorney general again said that he favored an alliance between Community and Westbrook instead of a merger (archives; interviews). This stance worried both sets of executives, who reiterated that a merger would create many more efficiencies and more competitiveness for both hospitals. Community and Westbrook executives came to share a belief that, as Newco, they needed to manage meaning for the attorney general (participant observer notebooks). It also helped to unite them against a common "enemy." A Community executive noted that the attorney general's investigators "expect us to justify 'why not an alliance?' We don't want to give them any sign that an alliance is viable." Similarly, a Westbrook executive said, ". . . we don't want to give them ammunition" to support the alliance idea.

The teams also needed a united front to navigate physicians' concerns about their fate in the wake of a merger (interviews). The growing sense of Newco's identity was apparent as executives discussed how they needed to deal, as one organization, with the doctors; managing the OB doctors, for example, required a coordinated approach:

> The cultures of the two OB groups are not compatible. We're talking about a history here that isn't going to end overnight. We get a call from Westbrook about every other day about how we should solve this problem. . . . I guess we must accept ranting, venting, and complaining to give OB docs a sense of control. Let them scream and yell. We'll just try to look like we're listening.

Both parties wanted to appear to be engaging in a bona fide merger, so "we have to work really hard to make it look like the new top management team of Newco will have balanced composition, about an even number from each partner. It has to look balanced from the outside." To help with this issue, public events were used as occasions to convey an image of unity:

> Since the merger discussions began, we have been doing a lot of things together. We attend more community functions together. We do many joint functions together. We sponsor many things together.

> Community and Westbrook need to coordinate joint participation in the Dinner of Champions.

> We need to show outside observers that we are on the same page.

Overall, from our perspective as researchers, it appeared that the cumulative effect of many acts of sensegiving via image management was that members of both executive teams became more positively disposed toward the merger and the identity change that was required by the merger, a conclusion affirmed in follow-up conversations with the CEOs of both organizations.

Collective identification (j). Another consequence of Newco taking hold was that members of the executive teams began to identify with the emerging organization: "Westbrook is moving toward our model for consolidation and we are moving toward theirs. They look at our model and think it's better and we look at their model and try to learn from it. Whatever Newco becomes will represent a common entity that everyone can associate with." There was an emerging acceptance that the two organizations were transforming into one:

> Let's get the public relations departments of both organizations involved in the way we work things out. Both CEOs and the staff members of both hospitals should have input. Let's do everything we can to have the process unbiased so we—meaning both organizations—can all be in this thing together.

> Both organizations are working cooperatively behind the scenes. We are beginning to feel that our destinies are tied together.

We're in this together. Our ability to compete depends on moving this [merger] forward.

A subtle but notable indicator of the increasingly collective identification was the evolution in informants' use of pronouns (participant observer notebooks). Whereas the word "we" was previously used to denote Community or Westbrook, depending on who was speaking, over time, "we" came to mean Newco and the merged entity that Newco would become: "We are planning joint meetings, events, and golf outings together. Got to build the sense of commonality," and "We are really working together to make a good business case for the attorney general." One revealing incident that illustrates collective identification involved a seemingly innocuous hospital bed-count report requested by the attorney general to assess each organization's operating capacity. In a meeting with the executive teams, the attorney general questioned the validity of the statistics in the report. Privately, Community executives initially blamed Westbrook for the errors: "Bed count at Westbrook is always slippery." Rather than deflecting blame or defending themselves, Westbrook's leaders appealed to their shared identity as Newco to quell dissension, and Community executives agreed (participant observer's observation).

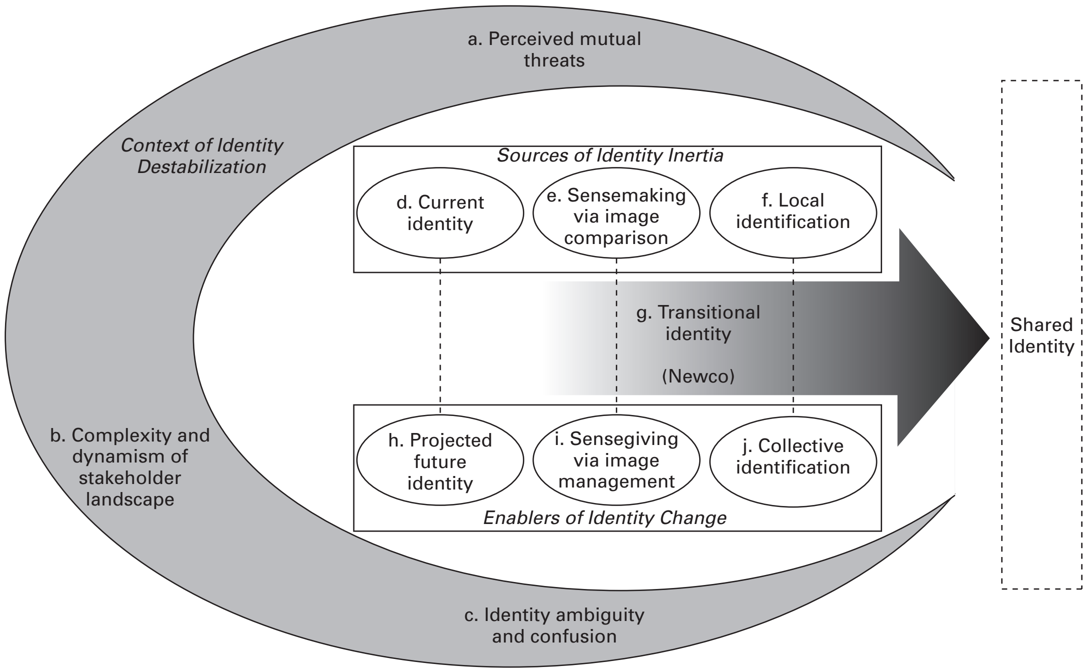
Epilogue: Segue to a Permanent Merged Identity

After a six-month formal review, the state signed a consent agreement permitting the Community-Westbrook merger; Federal Trade Commission approval followed. With the aid of consultants, a permanent name was chosen: Synergy Health System (another pseudonym). The actual merger, with Community's CEO as the CEO of the new organization, took place shortly after our study ended. The broadly articulated features of Newco were retained in the new organization—"lean," "agile," "proactive," and "strategic"—although they became more elaborated and specified. We followed up the study by interviewing the Community and Westbrook CEOs several years after the merger. Both questioned whether identity change and the merger itself would have been accomplished, at least in as timely a fashion, without Newco. Community's CEO was more assertive, saying that the merger "never would have happened if we hadn't resolved the battle over identity, and Newco helped with that." The first year after the formal merger, however, was "very difficult because both organizations were so different" (Westbrook CEO). Furthermore, Community's CEO also noted that although a shared identity emerged, it took some time before the other identities (Community, Westbrook, and Newco) receded. Most importantly, perhaps, he noted that Newco evolved into Synergy, and the identity of Synergy "looks a lot more like Newco than either [Community] or [Westbrook]," suggesting that a relatively lasting identity change had indeed taken place.

A GROUNDED THEORY MODEL OF ORGANIZATIONAL IDENTITY CHANGE DURING A MERGER

Whereas figure 1 displayed the static data structure for the key concepts that emerged from the study, figure 2 displays the dynamic processual relationships among them that are the basis for a grounded theory of identity change during a

Figure 2. An emergent model of identity change during a merger.



Note: The dashed lines indicate not only the shifts necessary to accomplish the identity change (as facilitated by the transitional identity) but also the primary sources of tension between the merging organizations.

merger. Perhaps most notably, figure 2 emphasizes the central role played by transitional identity in facilitating progress toward a shared organizational identity.

As noted in our literature review, the concepts of sensemaking and sensegiving were the conceptual points of departure for our grounded theory building. For top managers such as those that we studied, sensemaking mainly involves processes of interpretation and action intended to facilitate understanding, often within a complex, confusing context (Weick, 1979, 1995). Sensegiving involves processes intended to guide the interpretations and actions of important stakeholders toward preferred ways of understanding (Gioia and Chittipeddi, 1991). Our grounded model suggests that sensemaking and sensegiving were important subprocesses within the overall identity change process and operated in influential ways during several pivotal shifts in modes of understanding. Exploring these shifts provides some new insight into sensemaking and sensegiving relationships during identity change, especially between two organizations attempting to accomplish a major interorganizational change like a merger.

Figure 2 depicts the contextual features associated with the proposed merger that helped to destabilize the existing identities of the two putative merger partners, shown as a shaded, encompassing milieu within which other key processes took place. These contextual features—perceived mutual threats, complexity and dynamism of stakeholders, and identity ambiguity and confusion—made salient several sources of identity inertia, as noted in the top box of figure 2, and several enablers of identity change, as noted in the bottom box. The linkages over time between each of the sources of identity inertia and enablers of identity change are denoted by the dashed vertical lines in figure 2. Our interviews made clear that the sources of identity inertia were initially stronger than the enablers of identity change and were thereby undermining the prospects for organizational identity change, so at first, it was unclear whether the enablers would supersede the sources of inertia. Executives expressed preferences for their existing affiliations, attachments that had history and tradition behind them, and they were reluctant to embrace change. These sources of inertia inhibited both sides from letting go of their existing identities and engaging in the processes necessary to move toward a shared identity.

The path out of this stalemated identity change process was the opportune creation of "Newco," a temporary transitional identity (center of figure 2), which constituted a simple act of sensegiving by Community's CEO. As members of both top management teams embraced Newco, they not only came to accept the general idea of identity change but also to engage in movement toward a shared identity, as represented by the large, progressively shaded arrow. Within this change process, the transitional identity became a mechanism both for sensemaking—by framing executives' understanding of a new identity in non-threatening terms—and sensegiving—by the teams using Newco to influence the construction of a way of understanding that both sides could accept. As the efficacy of the transitional identity became apparent, the focus of the identity change process shifted toward more emphasis on the enablers and less on the inhibiting sources of inertia. Figure 2 shows three important shifts between paired inhibitors and enablers of identity change: (1) current identity to projected future identity, (2) sensemaking via image comparison to sensegiving via image management, and (3) local identification to collective identification, each of which involved sensemaking and sensegiving activities that were facilitated by the transitional identity. Through these shifts, executive team members reoriented their modes of thinking and acting away from the past and toward a shared future identity.

The most obvious sensemaking to sensegiving relationship is shown in the middle transition, the second pair of linked ovals in figure 2. As Newco became accepted, each executive team's use of sensemaking processes via image comparisons, which centered on how one's own organization was superior to the other, gave way to sensegiving via mutual image management. After this shift, the two executive teams downplayed differences between the organizations and presented a consistent, coherent image as a viable, merged entity to stakeholders through a series of public events, including meetings with the attorney general and charitable functions.

Linked sensemaking and sensegiving processes also were evident in the two other shifts depicted in figure 2. For example, as indicated in first set of linked ovals in figure 2, each organization's executives initially made sense of the proposed merger using their organization's current identity as a referent, which inhibited their ability to move toward identity change. As Newco became the temporary referent, executives began to build on Newco's generic attributes to actively project and imagine the features and competitive abilities of the merged entity that would eventually supplant Newco. Aided by the emergence of Newco, such sensegiving processes helped each side put its organizational identity aside and work toward a shared future identity.

Parallel reasoning applies to our findings concerning organizational identification processes, the third pair of linked ovals in figure 2. At first, the members of both executive teams strongly identified with their own organization as a way of making sense of the ambiguity implied by a possible merger, which was a source of inertia that inhibited identity change. The emergence of Newco, however, heralded both subtle and overt changes that reflected movement toward collective identification. A subtle shift occurred within both executive teams when the word "we" changed from referring to one's home organization to referring to Newco. In contrast, sensegiving was readily apparent when Westbrook's executives successfully appealed to the two sides' shared identity as Newco to suppress potentially damaging dissension over a bed-count report. Overall, sensemaking and sensegiving processes, as facilitated by the Newco transitional identity, eased the difficulties associated with organizational identity change and facilitated movement toward a shared identity.

DISCUSSION

A primary contribution of our study is the discovery of the transitional identity concept and explication of its role in helping to make organizational identity change happen. Our findings indicate that a transitional identity can facilitate the organizational identity change process in the context of a major interorganizational change, such as a merger. Understanding the dissolution of two existing identities and the subsequent emergence of a new, shared identity appeared to be critical to understanding the process that we studied. In the face of potentially paralyzing fears, the construction of a transitional identity provides a necessary sense of stability in a precarious and ambiguous context. It allows people in merging organizations to accept that an identity change is indeed under way and that it is important to let go of their former organizational identities to enable the construction of a new one. Another contribution is the unveiling of a grounded process model of organizational identity change during a merger that allows us to lay a foundation for future inquiry by developing future research questions and testable propositions.

The Transitional Identity Concept

Our findings suggest that issues surrounding organizational identity change were a central concern for the top managers involved in a major interorganizational change effort. In particular, the concept of a transitional identity emerged as key to the identity change process. Theoretically speaking, we view the notion of a transitional identity as both simple and profound. The invention of a plausible temporary identity that retains some sense of current identities, while simultaneously facilitating progress toward a drastically changed state, constitutes a strong conceptual foundation for identity change, a process that prior research has found to be wrenching (e.g., Dutton and Dukerich, 1991; Fiol, 2002; Corley and Gioia, 2004; Ravasi and Schultz, 2006; Gioia et al., 2010). Thus a seemingly important question for future research is under what conditions is organizational identity change facilitated by the emergence of a transitional identity?

Our findings suggest that transitional identity facilitated the initial stages of the merger process, a process that ultimately proved to be successful. Because our data gathering occurred early on, we cannot draw a direct connection between the emergence of a transitional identity and the long-term fate of the merged entity. The high failure rate of mergers, however, suggests that inquiry into the possible implications of transitional identity for merger outcomes is warranted. Similarly, the marginal record of traditional strategic and economic rationales for predicting the outcome of mergers suggests that consideration of identity change issues might offer a fruitful new avenue for exploring merger processes. On paper, most mergers make projective economic sense, and yet mergers fail much more often than a priori financial analyses would imply (Larsson and Finkelstein, 1999; Hitt, Harrison, and Ireland, 2001). We would speculate that further inquiry into identity change processes might help to better explain merger outcomes, because merging means more than just physically and legally combining two organizations into one. Mergers also require fundamental shifts in thinking about who the partners will become as a unified organization, which might have profound implications not only for the merging organizations but also for scholarly conceptualizations of the merger process itself. Thus an obvious question for future research on mergers is whether the presence (or absence) of some form of a transitional identity is associated with a merger's success (or failure) in strategic or financial terms. Our data could not speak directly to this question, but our observations about the benefits of a transitional identity lead us to suggest the following proposition:

Proposition 1 (P1): Merger partners are more likely to be effectively integrated into one coherent entity if a transitional identity emerges during the merger process than if a transitional identity does not emerge.

Based on our evidence, it appears that the transitional identity was effective in part because it was presented as temporary and non-binding. Relatedly, the content of the transitional identity appeared to be "optimally ambiguous" (Gioia, 1998)—ambiguous enough to allow multiple interpretations so that the two sides could find common ground, but not so ambiguous as to be threateningly unfamiliar. Our data suggest that in the early stages of a third-order change (Bartunek and Moch, 1987) that spans organizations, an engaging but unrefined identity might serve as a form of "boundary object" (cf. Carlile, 2002; Bechky, 2003)—or, more aptly, a "boundary concept"—to bridge identity differences between the merging organizations better than would a clear, well-specified vision. Optimal ambiguity, then, might be an important concept for easing a collective step into the unknown. Building on this notion and considering the effects of ambiguity on organizational change, both positive (March and Olsen, 1976) and negative (Meyerson, 1990, 1991), we suggest the following:

Proposition 2 (P2): The relationship between the specificity of a transitional identity and its effectiveness as a facilitator of identity change is in the form of an inverted U, such that both very vague (ambiguous) and very detailed (clear) transitional identities will be less effective than transitional identities that emphasize a few key consensual features.

The discovery of a transitional identity at the organizational level prompts a question about whether this concept is simply an extension of individual-level concepts such as possible selves (Markus and Nurius, 1986) and provisional selves (Ibarra, 1999) to a higher level of analysis. A transitional identity is different, however, in that it serves as a bridge between the old and the new. As such, it is intentionally temporary and unlikely to be adopted as a permanent identity. In contrast, possible and provisional selves are not intended to be temporary. Instead, they are experiments that become permanent if deemed successful by an individual. One implication of these differences is that the two concepts depict identity change in markedly different ways: transitional identity is the pivotal facilitating concept within an intentionally discontinuous bridging process, whereas possible and provisional selves are enacted within a continuous, albeit more or less stepwise process.[1] Another important, if obvious difference between individual possible or provisional selves and transitional identity is that the individual-level concepts denote a change from one identity state to another, whereas the transitional identity we observed facilitated the melding of two previously separate (and even disparate) identities into one. Furthermore, unlike individual identity, the transitional identity had few specific attributes. Rather, it was a more generalized notion harboring more interpretation and action possibilities than implied by individual conceptions of identity change. Part of transitional identity's pivotal role was to help two groups create common ground in an equivocal situation. Similar dynamics surround the innovation narratives described by Bartel and Garud (2009) and the cross-functional teams discussed by Bechky (2003). The discovery of somewhat parallel phenomena across three different settings suggests that generalizable processes are involved. As such, perhaps future research will reveal that transitional identity facilitates identity change in other major change settings, such as organizations undergoing transitions in their life cycles and entrepreneurial firms making the transition from being run by the founder to professional management.[2]

A Process Model of Organizational Identity Change

The evidence from this study strongly suggests that organizational identity, and more specifically, organizational identity change was not only prominent but central to the process of advancing a major interorganizational change effort. Although our model captures the identity change processes we observed, the extent to which this model reflects such changes in settings that do not involve multiple organizations remains unknown. As such, a comparative research question with important theoretical implications is whether or how

1
We are grateful to Associate Editor John Wagner for helping us clarify these differences.

2
Our thanks to an anonymous reviewer for suggesting other settings in which a transitional identity might emerge.

organizational identity change processes differ in interorganizational change efforts from organizational identity change processes in single organizations?

Even in the domain of interorganizational change, different baseline conditions might have important implications for understanding how identities change. For example, our process model suggests that identity destabilization was a necessary first step toward the creation of a shared identity by two organizations that had disparate identities. In contrast, two organizations with compatible identities might be able to merge identities more seamlessly. In such a scenario, destabilizing the two sides' preexisting identities might create needless confusion and slow their integration into one entity.[3] A future research question is therefore, under what conditions does identity destabilization facilitate or hinder progress toward a new, shared identity?

The key issues concerning identity change in this study involved three important cognitive shifts that were facilitated by the transitional identity: (1) current identity to projected future identity, (2) sensemaking via image comparison to sensegiving via image management, and (3) local identification to collective identification. Each represented a progression from a source of identity inertia, or an identity change inhibitor, to an enabler of identity change. Our expectation is that further inquiry would affirm that the factors that we identified as inhibitors of identity change do work to prevent change. These factors are likely to have varied levels of strength across different identity change processes, however, which might have implications for whether identity change occurs. We would expect that the stronger each of these inhibitors is, the less likely it would be that organizational identity change will take place. Specifically, we propose:

Proposition 3a (P3a): The stronger the current identities held by prospective merger partners, the more difficult organizational identity change will be to accomplish and the more likely that a transitional identity will facilitate a change in identity.

Proposition 3b (P3b): The greater the level of negative image comparison between prospective merger partners, the more difficult organizational identity change will be to accomplish and the more likely that a transitional identity will facilitate a change in identity.

Proposition 3c (P3c): The greater the degree of identification with one's own organization in a proposed merger, the more difficult organizational identity change will be to accomplish and the more likely that a transitional identity will facilitate a change in identity.

Similarly, considering the enablers of emergent identity change leads to the following:

Proposition 4a (P4a): The greater the degree to which a future identity is articulated in positive terms, the more likely that a transitional identity will emerge and organizational identity change will occur.

Proposition 4b (P4b): The greater the degree to which prospective merger partners mutually coordinate images projected to internal and external stakeholders, the more likely that a transitional identity will emerge and organizational identity change will occur.

3
We appreciate this insight from an anonymous reviewer.

Proposition 4c (P4c): The greater the degree of collective identification with a merger identity, the more likely that a transitional identity will emerge and organizational identity change will occur.

A key aspect of our emergent model is that the merger partners had to suspend their "home" identities for the identity change process to move forward. At first glance, this finding appears to contradict van Knippenberg and van Leeuwen's (2001) conclusion that continuity across pre- and post-merger identities helps employees identify with the merged organization. The emergence of a transitional identity, however, appears to have facilitated both suspension and continuity. The name of the imagined organization, Newco, made the proposed organization less abstract by providing a touchstone referent for interpreting events in a different way. Some of the features associated with Newco (being lean, agile, strategic) were shared or associated with one or both hospitals, which connoted some familiarity and continuity to members of each organization while they were nonetheless undergoing a profound change. Newco therefore promoted the requisite cognitive (and behavioral) shift in identity and simultaneously offered a means to structure the discomfiting ambiguity. Our findings suggest that convergence on and acceptance of the transitional identity is pivotal for its role as a bridging concept:

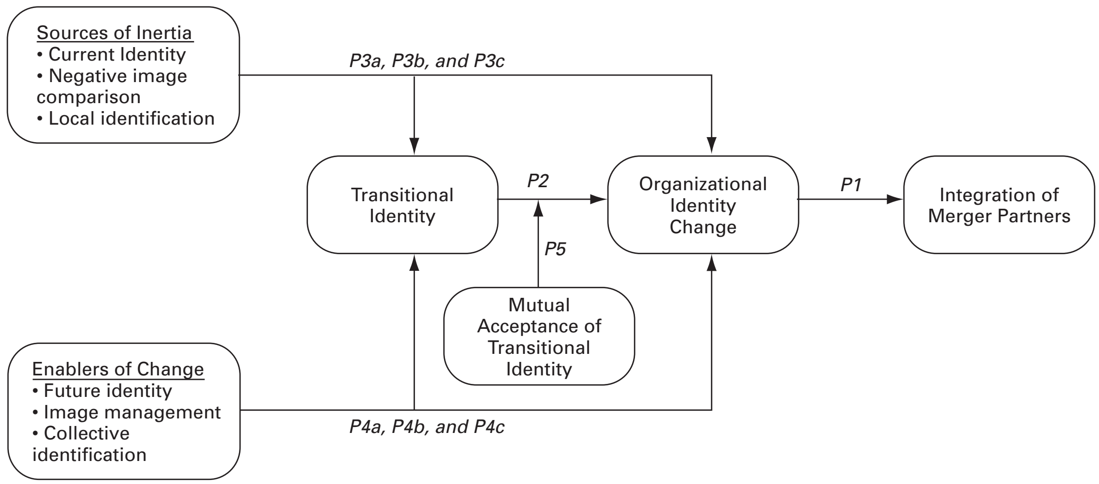
Proposition 5 (P5): The greater the degree of mutual acceptance of a transitional identity by prospective merger partners, the more likely that organizational identity change will occur.

Following Albert's (1992) arguments concerning mergers and divestitures as additions and subtractions to organizations, respectively, it makes sense that people would entertain Newco as a kind of "additional" identity and start to disengage from the existing identity (subtraction) as they worked to flesh out the transitional identity. In this sense, the ambiguity associated with Newco could be construed as a source of identity inertia inhibiting change for members of both organizations. Our data suggest, however, that such ambiguity instead tended to act as a facilitator for organizational-level change because Newco apparently held some optimal level of ambiguity that seemed to retain enough familiarity and sense of continuity to allow multiple preferences among disparate parties to exist simultaneously.

To facilitate future testing of the propositions derived from our grounded theory model of transitional identity, we depict them graphically in figure 3.

The research questions and propositions we developed, as well as the findings underlying them, should be viewed in light of our study's limitations. Although qualitative, inductive case studies offer the potential to generate rich theoretical insights, they depend heavily on the researcher's judgment and interpretation. In developing our grounded model, we emphasized that transitional identity helped the executive teams become receptive to identity change. An alternative possibility is that Newco was primarily an image management tool used to influence stakeholders. If so, the

Figure 3. A framework for testing propositions about transitional identity.



processes underlying sensegiving via image management could be construed as even more important (and transitional identity perhaps less important) than suggested by our model. It is also possible that informants withheld information from us, especially information that would not have cast them in a positive light. Perhaps, for example, the introduction of Newco by Community's CEO was an act of manipulation intended to help steer the partners' future identity toward replicating that of his hospital. Even so, our discovery of the transitional identity concept would remain important, because it is clear from the data that Newco's creation reenergized a stalled process. Such a scenario, however, highlights the prospect that a transitional identity might be purposefully enacted by an individual, rather than unexpectedly emerging from interpersonal interactions, which would have implications for our process model of identity change, as the model would need to account for initiatives pursued by individuals.

Lastly, case studies are not definitive about the extent to which the insights generated extend to other organizations. We studied the early stages of a merger involving two rival, peer organizations that took place under environmental duress. The dynamics might differ from those we observe if one merger partner has far greater resources and power than the other, or if a merger happens within a stable environment (cf. Rousseau and Fried, 2001). Thus our grounded model of organizational identity change may be most useful for understanding mergers of equals facing challenging circumstances. Many mergers have both of these features (e.g., Daimler-Benz-Chrysler, Hewlett Packard-Compaq, Kmart-Sears), so we believe there is some reasonable potential for transferability of our findings to other merger situations.

Additional Research Directions

Looking to the future, how well-established organizational identities are destabilized under different conditions is a process that warrants research attention, especially concerning our understanding of major organizational and interorganizational change processes. Because organizational identity is often deeply held by members, some compelling reasons are needed for it to be relinquished. The merger setting, for instance, offers several such powerful stimuli. When environmental shifts produce conditions indicating that merged organizations have a greater likelihood of success than those standing alone, executives understandably seek merger partners (Amihud and Lev, 1981; Krishnan, Joshi, and Krishnan, 2004). Such shifts can generate both threats and opportunities.

Contrary to the threat-rigidity hypothesis (Staw, Sandelands, and Dutton, 1981) and related work on organizational identity (Brown and Starkey, 2000), we found that environmental threats in the merger context tended to destabilize identity-based beliefs and make identity-related cognitions more malleable. Survival concerns can lead to a degradation of and lack of confidence in the current identity, which suggests a "threat-flexibility hypothesis" as a precursor to identity transformation under some conditions (cf. Barnett and Pratt, 2000). Perhaps if the threat had been modest, both sides might have responded with more rigidity. Under conditions of perceived strong mutual threats to their well-being (such as the planned alliances between other hospitals in the region), however, leaders appeared to believe that they could not act rigidly, which helped to surmount the cognitive inertia that worked to undermine change.

Although we lack the data to investigate this possibility, perhaps the positive overtones offered by the temporary name, Newco, contributed to the forward movement of the identity change process and, ultimately, the merger itself. The use of a positive sounding name (as opposed to neutral possibilities such as C-W or Acme) might have led the two executive teams to view the merger more favorably and thereby helped them to respond resiliently to challenges rather than rigidly (Sutcliffe and Vogus, 2003).[4] If so, this suggests that using positive language might help organizations facing a radical change, such as a merger, avoid threat-rigidity effects.

Radical organizational change is now so common as to seem almost unremarkable. Yet it is never unremarkable to the leaders and other organization members experiencing it. Mergers as a prominent form of radical change are now ubiquitous. Executives and consultants typically propose a merger because it *should* produce synergies that allow enhanced competitiveness. The actual integration of merger partners, particularly among former rivals, is notoriously challenging, however, even when strategic and economic arguments make a compelling case for merging. This study suggests that appreciating mergers in terms of the substantial identity change required, as well as considering the possible role of a transitional identity in effecting identity change, are fruitful avenues for gaining further insight into the dynamics of radical organizational change itself.

4
We are indebted to an anonymous reviewer for highlighting this possibility.

REFERENCES

Albert, S.
1992 "The algebra of change." In B. M. Staw and L. L. Cummings (eds.), Research in Organizational Behavior, 14: 179–229. Greenwich, CT: JAI Press.

Albert, S., and D. A. Whetten
1985 "Organizational identity." In L. L. Cummings and B. M. Staw (eds.), Research in Organizational Behavior, 7: 263–295. Greenwich, CT: JAI Press.

Amihud, Y., and B. Lev
1981 "Risk reduction as a managerial motive for conglomerate mergers." Bell Journal of Economics, 12: 605–617.

Astrachan, J. H.
1990 "Mergers, acquisitions, and employee anxiety: A study of separation anxiety in a corporate context." Employee Responsibilities and Rights Journal, 4: 243–244.

Baier, V. E., J. G. March, and H. Saetren
1986 "Implementation and ambiguity." Scandinavian Journal of Management Studies, 2: 192–212.

Barnett, C. K., and M. G. Pratt
2000 "From threat-rigidity to flexibility—Toward a learning model of autogenic crisis in organizations." Journal of Organizational Change Management, 13 (1): 74–88.

Barrett, P. F.
1973 The Human Implications of Mergers and Takeovers. London: Institute of Personnel Management.

Bartel, C. A., and R. Garud
2009 "The role of narratives in sustaining organizational innovation." Organization Science, 20: 107–117.

Bartunek, J. M., and M. K. Moch
1987 "First-order, second-order, and third-order change and organization development interventions: A cognitive approach." Journal of Applied Behavioral Science, 23: 483–500.

Bartunek, J. M., R. Krim, R. Necochea, and M. Humphries
1999 "Sensemaking, sensegiving, and leadership in strategic organizational development." In J. A. Wagner, III (ed.), Advances in Qualitative Organizational Research, 2: 37–71. Greenwich, CT: JAI Press.

Bechky, B. A.
2003 "Sharing meaning across occupational communities: The transformation of understanding on a production floor." Organization Science, 14: 312–330.

Brickson, S. L.
2005 "Organizational identity orientation: Forging a link between organizational identity and organizations' relations with stakeholders." Administrative Science Quarterly, 50: 576–609.

Brown, A. D., and K. Starkey
2000 "Organizational identity and learning: A psychodynamic perspective." Academy of Management Review, 25: 102–120.

Buono, A. F., J. L. Bowditch, and J. W. Lewis, III
1985 "When cultures collide: The anatomy of a merger." Human Relations, 38: 477–500.

Carlile, P. R.
2002 "A pragmatic view of knowledge and boundaries: Boundary objects in new product development." Organization Science, 13: 442–455.

Corley, K. G., and D. A. Gioia
2004 "Identity ambiguity and change in the wake of a corporate spin-off." Administrative Science Quarterly, 49: 173–208.

Dutton, J. E., and S. J. Ashford
1993 "Selling issues to top management." Academy of Management Review, 18: 397–428.

Dutton, J. E., and J. M. Dukerich
1991 "Keeping an eye on the mirror: Image and identity in organizational adaptation." Academy of Management Journal, 34: 517–554.

Eisenhardt, K. M.
1989 "Building theories from case study research." Academy of Management Review, 14: 532–550.

Ellis, K. M., T. H. Reus, and B. T. Lamont
2009 "The effects of procedural and informational justice in the integration of related acquisitions." Strategic Management Journal, 30: 137–161.

Elsbach, K. D., and R. M. Kramer
1996 "Members' responses to organizational identity threats: Encountering and countering the BusinessWeek rankings." Administrative Science Quarterly, 41: 442–476.

Empson, L.
2001 "Fear of exploitation and fear of contamination: Impediments to knowledge transfer in mergers between professional service firms." Human Relations, 54: 839–862.

Erikson, E. H.
1959 "Identity and the life cycle: Selected papers." Psychological Issues, 1: 5–165.

Fang, Y., M. Wade, A. Delios, and P. W. Beamish
2007 "International diversification, subsidiary performance, and the mobility of knowledge resources." Strategic Management Journal, 28: 1053–1064.

Fiol, C. M.
2002 "Capitalizing on paradox: The role of language in transforming organizational identities." Organization Science, 13: 653–666.

Gioia, D. A.
1998 "From individual to organizational identity." In D. A. Whetten and P. C. Godfrey (eds.), Identity in Organizations: Building Theory Through Conversations: 17–32. Thousand Oaks, CA: Sage.

Gioia, D. A., and K. Chittipeddi
1991 "Sensemaking and sensegiving in strategic change initiation." Strategic Management Journal, 12: 433–448.

Gioia, D. A., K. N. Price, A. L. Hamilton, and J. B. Thomas
2010 "Forging an identity: An insider-outsider study of processes involved in the formation of organizational identity." Administrative Science Quarterly, 55: 1–46.

Gioia, D. A., and J. B. Thomas
1996 "Identity, image, and issue interpretation: Sensemaking during strategic change in academia." Administrative Science Quarterly, 41: 370–403.

Gioia, D. A., J. B. Thomas, S. M. Clark, and K. Chittipeddi
1994 "Symbolism and strategic change in academia: The dynamics of sensemaking and influence." Organization Science, 5: 363–383.

Glaser, B. G., and A. L. Strauss
1967 The Discovery of Grounded Theory: Strategies for Qualitative Research. Chicago: Aldine.

Golden-Biddle, K., and H. Rao
1997 "Breaches in the boardroom: Organizational identity and conflicts of commitment in a nonprofit organization." Organization Science, 8: 593–611.

Greenwood, R., C. R. Hinings, and J. Brown
1994 "Merging professional service firms." Organization Science, 5: 239–257.

Hitt, M. A., J. S. Harrison, and R. D. Ireland
2001 Mergers and Acquisitions: A guide to Creating Value for Stakeholders. New York: Oxford University Press.

Huff, A. S.
1990 Mapping Strategic Thought. New York: Wiley.

Ibarra, H.
1999 "Provisional selves: Experimenting with image and identity in professional adaptation." Administrative Science Quarterly, 44: 764–791.

Jemison, D., and S. Sitkin
1986 "Corporate acquisitions: A process perspective." Academy of Management Review, 11: 145–163.

Jick, T. D.
1979 "Mixing qualitative and quantitative methods: Triangulation in action." Administrative Science Quarterly, 24: 602–611.

Ketchen, D. J.
2007 "Change and strategic entrepreneurship." Strategic Entrepreneurship Journal, 1: 291–293.

Krishnan, R. A., S. Joshi, and H. Krishnan
2004 "The influence of mergers on firms' product-mix strategies." Strategic Management Journal, 25: 587–611.

Larsson, R., and S. Finkelstein
1999 "Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: A case survey of synergy realization." Organization Science, 10: 1–26.

Lincoln, Y. S., and E. G. Guba
1985 Naturalistic Inquiry. Newbury Park, CA: Sage.

Livengood, R. S., and R. K. Reger
2010 "That's our turf! Identity domains and competitive dynamics." Academy of Management Review, 35: 48–66.

Lubatkin, M.
1987 "Merger strategies and stockholder value." Strategic Management Journal, 8: 39–53.

Maguire, S., and N. Phillips
2008 "Citibankers' at Citigroup: A study of the loss of institutional trust after a merger." Journal of Management Studies, 45: 372–401.

Maitlis, S.
2005 "The social processes of organizational sensemaking." Academy of Management Journal, 48: 1–49.

Maitlis, S., and T. B. Lawrence
2007 "Triggers and enablers of sensegiving in organizations." Academy of Management Journal, 50: 57–84.

March, J. G., and J. P. Olsen
1976 Ambiguity and Choice in Organizations. Bergen, Norway: Universitetsforlaget.

Markus, H., and P. Nurius
1986 "Possible selves." American Psychologist, 41: 954–969.

Markus, H., and E. Wurf
1987 "The dynamic self-concept: A social psychological perspective." Annual Review of Psychology, 38: 299–337.

Meyerson, D.
1990 "Uncovering socially undesirable emotions: Experiences of ambiguity in organizations." American Behavioral Scientist, 33: 296–307.
1991 "Acknowledging and uncovering ambiguities in cultures: Reframing organizational culture." In P. J. Frost, L. F. Moore, M. R. Louis, C. C. Lundberg, and J. Martin (eds.), Reframing Organizational Culture: 254–270. Thousand Oaks, CA: Sage.

Miles, M. B., and A. M. Huberman
1994 Qualitative Data Analysis: An Expanded Sourcebook, 2d ed. Thousand Oaks, CA: Sage.

Nag, R., K. G. Corley, and D. A. Gioia
2007 "The intersection of organizational identity, knowledge, and practice: Attempting strategic change via knowledge grafting." Academy of Management Journal, 50: 821–847.

Pratt, M. G.
2000 "The good, the bad, and the ambivalent: Managing identification among Amway distributors." Administrative Science Quarterly, 45: 456–493.

Pratt, M. G., K. W. Rockmann, and J. B. Kaufmann
2006 "Constructing professional identity: The role of work and identity learning cycles in the customization of identity among medical residents." Academy of Management Journal, 49: 235–262.

Quinn, J. B.
1978 "Strategic change: 'Logical incrementalism.' " Sloan Management Review, 20 (1): 7–19.

Rajagolapan, N., and G. M. Spreitzer
1997 "Toward a theory of strategic change: A multi-lens perspective and integrative framework." Academy of Management Review, 22: 48–79.

Ravasi, D., and M. Schultz
2006 "Responding to organizational identity threats: Exploring the role of organizational culture." Academy of Management Journal, 49: 433–458.

Reger, R. K., L. T. Gustafson, S. M. DeMarie, and J. V. Mullane
1994 "Reframing the organization: Why implementing total quality is easier said than done." Academy of Management Review, 19: 565–584.

Rousseau, D. M., and Y. Fried
2001 "Location, location, location: Contextualizing organizational research." Journal of Organizational Behavior, 22: 1–13.

Schweiger, D. M., and A. S. Denisi
1991 "Communication with employees following a merger: A longitudinal field experiment." Academy of Management Journal, 34: 110–135.

Schweizer, L.
2005 "Organizational integration of acquired biotechnology companies into pharmaceutical companies: The need for a hybrid approach." Academy of Management Journal, 48: 1051–1074.

Schwenk, C. R.
1988 The Essence of Strategic Decision Making. New York: Free Press.

Staw, B. M., L. E. Sandelands, and J. E. Dutton
1981 "Threat-rigidity effects in organizational behavior: A multilevel analysis." Administrative Science Quarterly, 26: 501–524.

Strauss, A. L.
1987 Qualitative Analysis for Social Scientists. New York: Cambridge University Press.

Strauss, A., and J. Corbin
1990 Basics of Qualitative Research. Newbury Park, CA: Sage.
1998 Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory, 2d ed. Thousand Oaks, CA: Sage.

Sutcliffe, K. M., and T. J. Vogus
2003 "Organizing for resilience." In K. Cameron, J. E. Dutton, and R. E. Quinn (eds.), Positive Organizational Scholarship: 94–110. San Francisco: Berrett-Koehler.

Thomas, J. B., and L. K. Trevino
1993 "Information processing in strategic alliance building: A multiple-case approach." Journal of Management Studies, 30: 779–814.

Tushman, M. L., and E. Romanelli
1985 "Organizational evolution: A metamorphosis model of convergence and reorientation." In L. L. Cummings and B. M. Staw (eds), Research in Organizational Behavior, 7: 171–222. Greenwich, CT: JAI Press.

Vaara, E.
2001 "Role-bound actors in corporate combinations: A sociopolitical perspective on post-merger change processes." Scandinavian Journal of Management, 17: 481–509.
2003 "Post-acquisition integration as sensemaking: Glimpses of ambiguity, confusion, hypocrisy, and politicization." Journal of Management Studies, 40: 859–894.

Vaara, E., and J. Tienari
2002 "Justification, legitimization, and naturalization of mergers and acquisitions: A critical discourse analysis of media texts." Organization, 9: 275–304.

van Knippenberg, D., and E. van Leeuwen
2001 "Organizational identity after a merger: Sense of continuity as the key to post-merger identification." In M. A. Hogg and D. J. Terry (eds.), Social Identity Processes in Organizational Contexts: 249–264. Philadelphia: Psychology Press.

Van Mannen, J.
1979 "The fact of fiction in organizational ethnography." Administrative Science Quarterly, 24: 539–550.
1988 Tales of the Field: On Writing Ethnography. Chicago: University of Chicago Press.

Walsh, J. P.
1988 "Selectivity and selective perception: An investigation of managers' belief structures and information processing." Academy of Management Journal, 31: 873–896.

Webb, E., and K. E. Weick
1979 "Unobtrusive measures in organizational theory: A reminder." Administrative Science Quarterly, 24: 650–659.

Weick, K. E.
1979 The Social Psychology of Organizing. New York: Addison-Wesley.
1995 Sensemaking in Organizations. Thousand Oaks, CA: Sage.

Wilkins, A.
1979 "Organizational stories as an expression of management philosophy: Implications for social control in organizations." Unpublished doctoral dissertation, Stanford University.

Yin, R. K.
1984 Case Study Research: Design and Methods. Beverly Hills, CA: Sage.
2003 Case Study Research: Design and Methods, 3rd ed. Thousand Oaks, CA: Sage.

APPENDIX: Interview Protocol

The protocol for interviewing merger participants followed a six-step process.

Step 1: The participant observer explained in detail the purpose of the interview and issues related to confidentiality.

Step 2: The interviews followed a semi-structured format, using a predesigned interview guide based on Jemison and Sitkin's (1986) impediments to organizational integration and Wilkins' (1979) cultural assessment. Sample questions derived from these two sources included the following:

(1) How would you compare and contrast [Community] and [Westbrook]?

(2) From an administrative perspective, what do you believe is influencing the success and/or failure of the current merger initiative?

(3) Who are the key stakeholders to keep in mind through the premerger planning process and what are you doing to manage them?

(4) In what ways do the individuals responsible for managing the merger planning and implementation process have similar or differing perspectives on how to proceed?

(5) What issues/events/actions are you paying attention to now, because of the merger initiative, that you weren't attending to before?

Step 3: The participant observer recorded and transcribed almost all interviews. For those few not recorded, he took detailed notes during the interview for each question, including follow-up questions and questions intended for clarification that emerged during the interview.

Step 4: The participant observer carefully reviewed interview notes within 24 hours to ensure accuracy.

Step 5: The participant observer documented impressions and patterns, based on interview outcomes, in separate research diary notebooks.

Step 6: The participant observer used a review of the interview notes as an opportunity to document new and follow-up questions for future meetings with the interviewee.