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Family businesses and M&A’s

A case study of a Finnish family business

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ABSTRACT:

Tällä vuosituhannella fuusioiden ja yritysostojen määrä on kasvanut merkittävästi. Teollisten ostajien ja erilaisten pääomasijoittajien suosivat yritysostoja, sillä niiden nähdään olevan yhä tehokkaampi ja vaivattomampi tapa luoda uutta liiketoimintaa ja lisätä olemassa olevan yrityksen kasvuvauhtia. Perheyrityksissä tämä voidaan nähdä sukupolvenvaihdosten ja muiden omistajanvaihdosten lisääntymisenä. Aiheen ajankohtaisuuden vuoksi, tässä tutkimuksessa pyritään selvittämään, millainen on perheyrityksen yrityskauppaprosessi. Tutkimus käsittelee yrityskaupan taustalla olevia motiiveja ja pyrkii myös tunnistamaan, miten perheyrityksen yrityskauppaprosessi eroaa ei-perheyrityksen vastaavasta prosessista. Tämän tutkimuksen teoreettinen viitekehys perustuu olemassa olevaan kirjallisuuteen perheyrityksen ominaispiirteistä ja yrityskauppaprosesseista. Teoreettinen viitekehys kuvaa tyypillistä yrityskauppaprosessia ja lisää siihen perheyritys ulottuvuuden ja sen tuomat luonteenpiirteet. Tämän tapaustutkimuksen ensisijaiset tiedot kerättiin haastattelemalla kahta tapausyrityksen edustajaa, jotka ovat aktiivisesti mukana yrityksen tekemissä yritysostoissa. Toinen haastateltavista on omistavan perheen jäsen ja toinen ei.

Yleisvaikutelma perheyrityksistä keskusteltaessa on yleensä myönteinen. Tässä tutkimuksessa tutkitaan myös, mitkä ominaisuudet ovat ne, jotka luovat myönteisen ilmapiirin perheyrityksen ympärille ja onko jokaisella perheyrityksellä niitä. Vielä tärkeämpää tutkimuksen aiheen osalta on se, miten nämä edellä mainitut ominaisuudet vaikuttavat perheyrityksen yrityskauppaprosessiin. Lisäksi tässä tutkimuksessa korostuu perheyrityksen omistajien rooli. Ovatko he aidosti mukana yrityksessä ja osallistuvat aktiivisesti liiketoiminnan operatiiviseen toimintaan ja sen kehittämiseen vai ovatko he esimerkiksi passiivisesti mukana vain hallituksen jäseninä. Näiden kahden vaihtoehdon välillä on huomattavat erot ja perheomistajien roolilla on valtava vaikutus yrityksen liiketoimintaan.

Tämän tutkimuksen uutuusarvo piilee perheyrityksen ominaispiirteissä ja siinä, miten ne vaikuttavat perheyrityksen M&A-prosessiin. Tutkimuksen löydökset osoittavat, että on olemassa lukuisia perheyrityksen yrityskauppaprosessiin vaikuttavia perheyrityksille ominaisia piirteitä, joita ei ole käsitelty akateemisessa kirjallisuudessa aiemmin. Perheyritysten oma kieli, omistajien rooli yrityksessä, vastuullinen omistajuus ja päätöksentekoprosessien nopeus ovat keskeisiä otteita tästä tutkimuksesta.

KEYWORDS: Perheyritys, yrityskaupat, yrityskauppaprosessi, sosioekonominen varallisuus

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1 Introduction

In this millennium, the number of mergers and acquisitions (henceforth summarized as M&A's) has grown significantly. Industrial buyers and different kind of venture capitalists increasingly find M&A's to be more efficient and more effortless way to generate new business and increase the growth rate of an existing company. In family businesses this can be seen as an increase in the number of generational changes and other changes of ownership. Because of the change in Finland's demographic age structure, the growth rate of these changes is assumed to grow even faster. (Katramo et al. 2013).

M&A's are popular, but on the other hand, a high-risk way to expand business. The popularity arises from the uniqueness of the action. M&A's represent a growth strategy that enables the company to grow a lot faster than compared to organic growth of the company (Belderbos 2003). It allows the company to expand and simultaneously improve and supplement its existing resources. Uncertainties considering the acquisition primarily relates to the fact that can the planned acquisition be carried out as planned and if it increases shareholder value (Katramo et al. 2013). The risks and failure rates are known but also often overestimated in the media and academic literature. The psychological public opinion is that the M&A is always a negative risk. Liimatainen and Lähteenmaa (2020) assure that this is not accurate. They see that there are enormous opportunities and a huge potential in inorganic growth. Opportunities, that if utilized and carried out in a proper manner, would affect positively in Finnish companies and thereby the whole Finnish economy.

Especially in the context of family business, responsible growth is crucial for the continuity of the firm and the transgenerational wealth creation (Del Giucide 2017). However, the failure rate of M&As in general varies between 50-90 % (Cartwright 2005; Liimatainen & Lähteenmaa 2020; Worek et al. 2018). In family businesses, in addition to the benefits and risks of M&A's, the effects of the acquisition on the socio-economical wealth of the family business must also be considered, as in any other decision-making situation concerning the family business. (Elo-Pärssinen et al. 2019).

However, despite the recent research focusing more and more attention to family businesses and the business acquisitions they make, there is still a lot unknown about them and ambiguities associated with them (Astrachan 2010). When studying family businesses and the acquisitions they make, one important matter must be highlighted. Why are family firms engaged to firm acquisitions even though they are acknowledged loss aversion reputation? (Hussinger & Issah 2019) Previous studies show that family business M&As successfulness and failures can be explained by the following factors: ownership structure (Angwin 2007), risk preference (Gomez-Mejia et. al. 2007), social priorities and family related non-economic utilities (Kotlar & De Massis 2013; Miller et.al. 2010) and other specific characteristics intrinsic to the family business (Duran et.al 2015). These factors contribute to the fact that family businesses make fewer and different types of acquisitions than non-family-owned businesses. The concentration of wealth and thus, ownership in family businesses, makes them more sensitive to uncertain and high-risk investments (Miller et. al. 2010; LaPorta et.al. 2010). This study responds to the studies of Worek et. al. (2018), Mickelson & Worley (2003) and Palm et al. (2023) who state that the lack of research into M&As of family businesses and the clarity of the objectives and motives of these M&As are a problem.

The aim of the study is to investigate the M&A process of a family business and the objectives and motives behind the process. This research aims to gain a deeper understanding of what happens during the M&A process of a family business and how it differs from an acquisition made by a non-family-owned company. Which aspects influence more than the other and what are the reasons behind the emphasis of certain aspects. The case company is a Finnish retail and wholesale store and has a significant import portfolio of its products. In the last years the company has made several acquisitions, thus the subject of the research is timely and relevant. The study focuses on horizontal acquisitions which means, that the firm acquires another firm with similar business, size or technology or culture to enhance its current product and service offerings. Also, when a competitor is off the market, it can enable economy of scale and the increase of market power. (Hussinger & Issah 2019; Katramo et al. 2013).

In other words, the objective of the study is to increase understanding of a family business, and on which grounds the company makes acquisition decisions and how does family business operate differently in acquisition process compared to a non-family business. Thus, the research question is the following:

How does the M&A process unfold in the family business context and how does it differ from non-family-owned companies?

In the empirical part of the research, two people are interviewed. The two people were selected on the basis that they have been actively involved in the latest acquisition processes. The two people who are interviewed are the CEO of the company, and the other interviewee is the CSO in the company and is a part of the owning family. The research wanted to interview people who are intensely involved in the M&A processes the company makes. The board of the company consists of the owning family and the CEO so naturally, all acquisition decisions are approved and authorized by the board as well. The case company shall remain anonymous due to the fragile nature of the business information discussed in this thesis. The instructor of the thesis has been informed about the real identity of the company.

The analysis unit of this research consists of two business acquisitions made by the company. The first one is the acquisition of another family business and the second one that is not. By analyzing these two M&As, the study creates a point of reference of the M&A process of a family business from both sides of the acquisition. After the analyzation of the two different acquisitions, the study can present can tell what characteristics of a bilateral family business M&A are and how does it differ from a non-family firm M&A.

This study contributes to the existing literature in three ways. First, the main theoretical contribution of this study is to fill the gap in the academic literature pointed out by Worek et al. (2018), Mickelson & Worley (2003) and Palm et al. (2023). The empirical framework of this study adds the family business characteristic aspect to the

M&A environment, and studies the acquisition process of a Finnish family business. Secondly, it addresses the acquisition related decision-making process of a family business where the owning family members are also executives in the company. Using the aspects and guidance of existing literature of M&A's and family businesses (Elo-Pärssinen & Heinonen 2019; Katramo et al. 2013) and the motives behind them (Worek et al. 2018) this study is able to create a comprehensive picture of the process and add new dimensions to it. Third, it extends the current literature (Tagiuri & Davis 1996) and introduces the effect of family owners' private language and behavior on the valuation of a target company. In addition to this perspective, the study also examines the effect on valuation when two family businesses are negotiating of an acquisition between them.

This thesis consists of five main chapters. The thesis begins with an introductory chapter that introduces the reader to the topic and creates a clear picture of the content of the thesis. The second chapter is a theory chapter that deals with M&A process at a very general level. The chapter also introduces the reader to the nature and special characteristics of a family business. Although a family business operates like any other business in the world, it cannot be evaluated with the same criteria as, for example, a public company. Family businesses are guided by traditional values such as, corporate social responsibility, reputation as a good employer, long-term employment relationships, low hierarchy, ensuring the continuity of the business and long-term profitability. In the third chapter of the thesis, the research methodology is presented. It presents the data collection and analysis methods used in the research, the collected data, case company and the possible limitations of the research. The fourth chapter presents the results obtained from the study. The fifth and last chapter of the thesis is the summary and discussion chapter, where the most important findings from the research are presented and the research question is answered. The limitations of thes study and possible future research proposals are also presented in this chapter.

2 Literature review

The theoretical foundation of the thesis is covered with the literature review in this chapter. The literature review consists of characteristics of a family business and M&A's in the context of family businesses. Family business characteristics are mainly focused on Finnish family businesses and Finnish literature since the case company is a Finnish family company. However, emphasis of the chapter is on the M&A part of the chapter. The chapter manages M&A's briefly in general but more importantly from the point of view of a family business being the buying party of the M&A.

2.1 Definition and characteristics of a family business

For hundreds of years, nearly all business activities have been under the control of different families. And as long as there has been civilization, all activities, related to business or not, have been divided among family members, hunters and gatherers as prime example. Only in the 19^{th} century, families and businesses started to drift apart from each other. This was because of rise of ideologies such as individualism and capitalism. Despite that, family businesses remained as an integral part of the society both socially and financially. Even today, family businesses remain significant and important operators in society (Elo-Pärssinen et al. 2019; Heinonen & Vainio-Korhonen 2018). According to Finnish Family Firms Association & Statistics Finland (2017), Finnish family businesses employ 70% of all employees in Finland (90% including self-employed). They also contribute 15,6 % of total gross value added (19,7%) and 29,9% (37,7%) of the business sector value added. These and other more detailed numbers are presented in Figure 1.

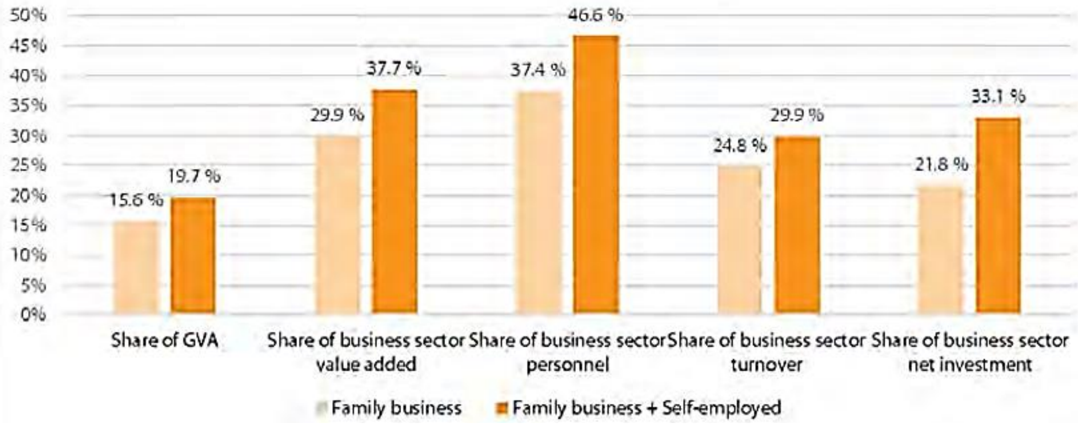

Figure 1 Economic contribution of family businesses in Finland (Statistics Finland 2017).

A family business can be defined in many different ways. First it is important to remember that family as a concept is extremely heterogenous and variable. All family companies are defined by the combination of family and business activities. Quite the contrary, this combination does not make families businesses similar in any way, but rather the opposite. (Elo-Pärssinen et al. 2019; Heinonen & Vainio-Korhonen 2018). In literature and in media in general a family is usually depicted as a couple who have children together. In family businesses this is usually never the case. Understanding the diverse operation of a family business also requires recognizing the difference between families (Elo-Pärssinen et al 2019). In literature the definition of family let alone family business is wavering and it can cause distraction in defining neither of these terms in consensus (Chrisman et al. 2015). At its simplest, a family business is depicted as a combination of two systems: family and business. The logic of family business is a two-way mixture of which parties are sometimes opposites to each other. The challenge and uniqueness of a family business arises from the interaction between the two parties and the interaction between them. The tension occurs when the goals of the family and the goals of the business intertwine and have different hoped outcomes. (Elo-Pärssinen et al. 2019). The rule of thumb is that in family businesses, family, business and ownership are interconnected (Perheyritysten liitto 2022). The Finnish Family Firms association defines a family business as following:

- The majority of a voting power is held by a natural person, his/her spouse, or another member of his/her family. Voting majority can be indirect or immediate.
- At least one member of the family or his/her legal representative is involved in the administration of the company.
- Listed companies meet the definition of a family company if the person the person who acquired or otherwise received the stock, or his/her family or a member of his/her family has a 25 percent share of the voting power brought by the company's shares. Indirect voting power in a listed company must be controlled by the family.

However, this is only the technical definition of a family business. The everyday characteristics are more ingrained than that.

In families in general, the feeling of togetherness and other emotions are often present. Inward orientation, traditions, stability, long-term commitment, importance of family harmony and love are aspects that families, whether it is a business or not, value highly and cherish. According to worldwide research conducted by PwC, family businesses enjoy strounger trust in society than businesses that are owned by other arrangements. Trust is crucial capital to the business in customer relationships but as well in employee relationships. Family businesses also take better care of their employees during recession and other economic downturns (Tiessalo 2023).

Unlike in families, in the world of business, decisions and many other things are justified by reason. In family businesses there are also aspects that distinguish them from non-family businesses on an operational level: slower but still stable growth, less participation in global markets, employee care and loyalty, less capital intensive, lower costs and board's influence on implementation. (Harris et al. 1994; Elo-Pärssinen et al. 2019).

An evident characteristic of a family business is the family-like organizational culture. Family-likeness manifests itself in an organization in a way that a family has an effect on the operation of the family business. This can appear in many ways and forms but ultimately, it can be directly seen in the premises of the decision making of family businesses. (Frank et al. 2017; Elo-Pärssinen et al. 2019) These premises can be divided into six different dimensions:

1) Ownership, management and control
2) Competence of family members actively working in the company
3) Sharing of information between family members
4) Attitude towards long-term success and continuity of the family business
5) Family-employee relationships
6) Family business identity

However, these dimensions do not tell, to what extent and in which kind of situations the family influences the operations of the company. The influence of the family can be seen from the organizational identity, what is the vision and mission of the business, how the family members behave. On the contrary, the family can be a silent owner who does not take part in any operative activities. Thus, every family business is different, and it cannot be examined strictly as business like any other. (Chrisman et al. 2012; Zellweger et al. 2010)

These six dimensions are so called ”ground rules” for every family business. Following these dimensions can help the family unite and consequently, have a positive impact on the business. However, there are no direct ratio or ideal combination of these dimensions. Every family business follows their own practices. In some family businesses the influence of the family is bigger, and in some smaller. What can be know for sure, is that a single practice or business model cannot work in every family business. What is common for all family businesses is the commitment of the family to its business operations and ownership. No matter the history of the family business, the family business must always look forward and plan for the future if it seeks continuity of the business. It has to react to its ever-changing operational environment (Elo-Pärssinen et al. 2019). In the background of avoiding big risks, is the transgenerationality of the family businesses. This is an extremely common goal among family businesses. A usual expression in the community of family businesses is that the family business is only on loan for one generation at a time. Each generation has the responsibility and mission to transfer the business to the next generation. Hopefully in a better condition which they received it in (Tiessalo 2023).

2.1.1 Family, company & ownership

In family businesses, the decisions of the owner family effect the company and vice versa. Alterations in the operating environment cause alterations in the roles of the owner family members as well. Their livelihood and future can be altered if for example M&A occurs (Elo-Pärssinen et al. 2019). The most difficult part when working as an owner in a family business, is that almost always the person has simultaneous roles. The role can be for example owner, manager or family member any one of these, two of these or all the three together (Tagiuri & Davis 1996). Figure 1 will help in visualizing the different relationships and their overlaps. After Figure 1, Table 1 will define the numbered roles and present examples for what each role represents in the family business and the objectives and goals behind the role.

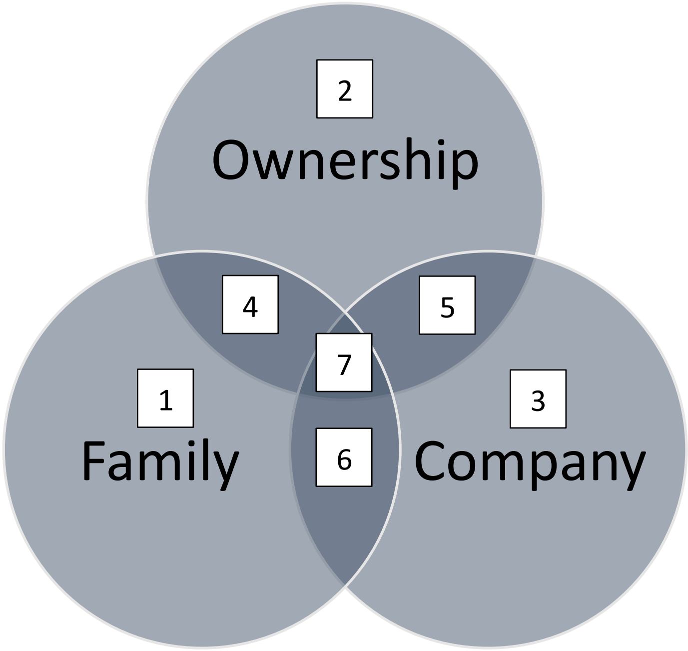

Figure 2 Family, company & ownership (Elo-Pärssinen et al. 2019; Tagiuri & Davis 1996)

1	Family member	Harmony of the family
2	Owner	Company appreciation and dividend
3	Employee	Job position and salary
4	Owner and family member	Continuity of the business and access to information
5	Owner and employee	Benefiting from company's succession (dividend and salary)
6	Family member and employee	Advancement in the company and obtaining stock
7	Family member, owner and employee	Harmony of the family, company appreciation, interest towards the job and securing the continuity of the business to next generation

Table 1 Objectives and definitions of different roles in a family company as seen in Figure 1 (Elo-Pärssinen et al. 2019).

Reconciliation of these roles can be challenging. As we can see from figure 1 and table 1 having simultaneous and overlapping roles in the company can mean many things. Sometimes expectations and goals with another member of the family can be aligned, but on the other hand they can be controversial with the objectives and expectations of the company's business (Elopelto et al. 2019; Tagiuri & Davis 1996). When one or more members of the family have simultaneous overlapping roles, the decision-making can become private and centralized. However, this also means that the decision-making process of the company is extremely efficient. The efficiency and the effectiveness increase, and the outcome can be good or bad, depending on the decisions made and what are the roles of the decisionmakers in table 1 and what do they seek from their decisions and what is the hoped outcome. (Tagiuri & Davis 1996). The deeper bivalent meanings of the seven different roles are explained and presented in the subchapter dedicated to them.

2.1.2 Socioeconomic wealth

A key factor that differentiates family businesses from non-family companies is the desire to preserve and maintain socioeconomic wealth (Palm et al. 2023). Socio-economic wealth (henceforth summarized as SEW) is the non-financial aspects of the firm that meet the family's affective needs. These aspects can be for example identity, the ability to exercise family influence, perpetuation of family values through the business, conservation of family's social capital et cetera. A crucial aspect of SEW in family businesses is that it fulfills the need of identification. (Gomez-Mejia et al. 2007). In order to preserve their SEW, family businesses are often seen as loss averting businesses. They often avoid high-risk business activities. For example, different R&D activities are seen risky as the potential financial gains are extremely uncertain (Hussinger & Issah 2019).

SEW is not strictly tied to family businesses or is something that only family businesses can possess or have. The need of identification is important to all businesses because it is strictly tied to an employee's motivation and attitude working in the firm and especially working for the firm. When an employee feels connection within himself or herself with the firm's identity, he or she derives considerable non-economic benefits from being involved in such an organization (Ashfort & Mael 1989). This identification should be crucial and considered in all family firms. It adds substantial amount of wealth to its SEW. Family-owned firms provide self-defining role to its employees with the hoped outcome, that they would feel part of the family itself. Family-owned firms that preserve the family firms SEW, are more likely to have motivated and committed employees than those family firms that disregard SEW meaning to the company. In addition to that, family-owned firms are more commonly to perpetuate owner's direct control over the company. There is a stronger preference among family firms to retain owner control in the company than in non-family-owned firms (Gomez-Mejia et al. 2007). Family businesses and their owners highly value the noneconomic benefits that they derive from the family firm (Kalm & Gomez-Mejia 2016).

2.1.3 Bivalent attributes

Figure 1 and Table 1 together produce seven unique bivalent attributes which represent the bivalent attributes that show the advantages and disadvantages of a family business (Pieper & Klein 2007). In many studies, bivalent attributes are commonly mentioned when discussing about the characteristics of a family business (Harris & Tagiuri 1996; Matherne et al. 2011; Kalm & Gomez-Mejia 2016). Bivalent attributes are the inherent, unique attributes of a family business (Tagiuri & Davis 1996). The term bivalent is usually used in chemistry where it means that some matter or element can have more than one attribute, version, or feature. In this case, bivalent attributes of a family business mean the typical characteristics of a family business which have advantages but also disadvantages. The types of attributes of a family business which have bivalent features: simultaneous roles, shared identity, a lifelong common history, emotional involvement and confusion, the private language of relatives, mutual awareness and privacy and lastly, meaning of the family company (Tagiuri & Davis 1996).

Simultaneous roles were briefly mentioned earlier in this chapter. It represents the overlapping role one could have in a family business as a relative, owner or a manager. As a singular, every one of beforementioned role has a positive impact. Relatives are primarily concerned about the welfare of the family; owners are concerned about the return on investment and managers of the business' operational effectiveness. A person who possesses with all the beforementioned roles has to juggle between the goals and expectations of each role. This can create problems. Family issues or behavior can influence on business decisions with a low threshold and the other way around. The goals and issues of each role can get mixed up. Handling business decisions objectively is nearly impossible when a simultaneous role is applied. (Tagiuri & Davis 1996).

Shared identity was also briefly discussed earlier in this thesis in the context of SEW. Shared identity has a strong position in organizations everywhere in the world. Organizational identity represents the company and its values. The organization has a distinct, personality, manner and style. The evolution of the identity is a complex process and there is not a single simple answer or formula how it can be created (Mahto et al. 2019). However, for privately owned firms and especially for family businesses the term is more meaningful. A family business shares a sense of togetherness and identity. This should not be taken for granted, although from an outsider point of view it may seem obvious that every family business shares the aforementioned attributes. However, the sense of identity has a crucial effect on the behavior of the family members in the workplace and even outside of it. Because of the overlapping roles, each action of every employee-family member has both business and family meaning and repercussions. And because of the notion of *shared* identity, if a single family member behaves or is suspected of bad behavior, this can be reflected to other members of the family as well and through that, the whole company. This also applies vice versa, good behavior, manners and actions can have positive influence on other family members and the company as well. (Tagiuri & Davis 1996).

The next bivalent attribute is a lifelong common history. Usually, family members have spent a lot of time together and experienced a lot together, in good and in bad. This can lead to family members pointing out weaknesses in each other more easily and reduce trust in workplace situations. On the contrary, family members can draw out family members' strengths and compliment the known weaknesses. (Tagiuri & Davis 1996; Allen 2011). Because of the emotional relationships and lifelong common history, tensions can be born between family members, generations and branches of family. These tensions occur more easily than in non-family companies. These tensions can be avoided or at least minimized by agreeing mutual course of actions beforehand (Elo-Pärssinen 2023).

Emotional involvement and confusion are common bivalent attributes in a family business. It is the result of combination of positive and negative feelings towards a family member and whether it regards the family member, business decisions or both. In other words, bivalent feelings towards each other (Tagiuri & Davis 1996). The negative side of this attribute comes from the confusion point of view. It causes lack of objectivity in the communication and interaction between family members. Resentment and guilt can complicate relationships in personal and in work life and this can lead to hostile relationships. Then again on the positive side the expression of feelings and emotions can be seen as a show of trust. Especially the expression of positive feelings can enhance the overall relationship vastly (Allen 2011).

A bivalent attribute that can only be experienced within the organization is the private language of family members. This meaning, that the family members can notice or message certain things using certain choice of words, and the listening part of the conversation can register and observe certain or sometimes private meanings behind the words. The conversation or interaction does not even have to contain any words. Facial expressions or movements can have meanings that the other part of the interaction understands. The negative aspect of this attribute is obviously that a member outside of the family can feel excluded and using private language in the workplace does not represent healthy communication culture. (Tagiuri & Davis 1996).

The next bivalent attribute is mutual awareness and privacy. The members of the family are constantly aware of each other's state of minds. Tagiuri & Davis (1996) explain that the mutual awareness is created through three channels. The first channel is the explicit communication among family members. The family members see each other extremely often in many kinds of social and business meetings. Second channel is the private language discussed earlier in this subchapter. The third channel is the relationship among relatives who pass on information from relative to relative in a different manner than they would pass information to non-relatives. (Tagiuri & Davis 1996). The explicit and intimate communication between family members can sometimes be too forthright and family members might feel uncomfortable or trapped when encountering this sort of communication. However, improved communication also improves the quality of business decisions which reciprocally enhances the relationships between family members and profitability of the company (Allen 2011).

The last but definitely not the least bivalent attribute is the meaning of the family company. The meaning of the family company to a certain family member depends on the generational position of a certain member and of course from the role the person is having in the company. For example, the founder of the family company, the first generation that is, the company can represent his/her child and for the second generation it can represent a mother or a father. And if the first-generation entrepreneurs do not exist anymore, it can be about continuing the legacy of the first generation (Tagiuri & Davis 1996). The meaning of the family company can be an extremely valuable asset for the company. The company symbolism can become a mission for the other employees as well when the sense the strong feeling that the owner relatives have for the company. On the other hand, rivalries can emerge from the same relationships. Contradictions and differences how the company should be run between generations can cause problems between family members.

2.2 Family businesses and M&A’s

This subchapter discusses the characteristics of acquisitions on a general level. When using the term M&A in this chapter, it should not be mixed with mergers since this thesis only deals with acquisitions.

A business acquisition is a way to expand and renew the company. Companies base their acquisition decisions on numerous different factors. Business acquisitions and their strategic nature are justified by various objectives: better market position, cost savings, efficient use of resources and by the former successful experiences in M&A’s (Gomez-Mejia et al. 2018). A lot of research and other academic literature is available about M&A’s in general. However, the results and conclusions of those studies are not directly applicable to family firms (Worek et al. 2018). As discussed earlier in this thesis, family businesses have certain characteristics that define them and guide them. These said characteristics also apply in them making M&A’s. The strategies, goals and targets of M&A’s can be completely different than for example a public non-family-owned company. A major part of the studies regarding M&A’s, are relating to managerial decision making and not considering other stakeholders that are present in acquisition decisions, for example the owners of the company (Miller et al 2010). And when the owners are considered as part of the acquisition decision making, they are presumed to act rationally, as profit maximizers, which as discussed is not always the case when a family business is conducting a business decision (Worek et al 2018). Wealth concentration, high level of control and the importance of non-economic goals, influence heavily in family businesses making strategic decisions, acquisitions being one of the most significant strategic decisions a company can make (Worek et al. 2018; Duran et al. 2015). Ultimately, such as any businesses, family businesses also pursue financial gains to help them grow and ensuring the continuity of the business to the next generation and beyond.

However, as discussed earlier in this thesis and from numerous real-life examples and academic articles, the potential financial profits from acquisitions in general are extremely uncertain (Gomez-Mejia et al. 2018; Capron & Pistre 2002; King et al. 2004; Masulis et al. 2007). In addition to the financial risks of acquisitions, SEW losses to the family are another risk in these deals (Gomez-Mejia et al. 2018). Even in business acquisitions, chance favors the prepared mind. The readiness for change and for the future changes in the operating environment, are measured by how decisively the company can adjust and take on the opportunities and challenges of the business environment. Seizing a good opportunity does not mean hesitating or lack of planning. Instead, it requires flexible and swift actions (Elo-Pärssinen et al. 2019). Family business owners must weigh the possible upsides and downsides of every acquisition, and usually emphasize the risks more than the potential higher future wealth. Therefore, family businesses and a high family control lowers the likelihood of acquisitions (Gomez-Mejia et al. 2018).

2.2.1 M&A’s in Finland in the 2000’s

As this research solely focuses on a case company M&A activity in Finland, a brief overview of M&A’s that have occurred in this millennium is appropriate. This helps the reader to achieve an understanding, what kind of numbers are being monitored when discussing the number of M&A’s that have taken place inside Finnish borders.

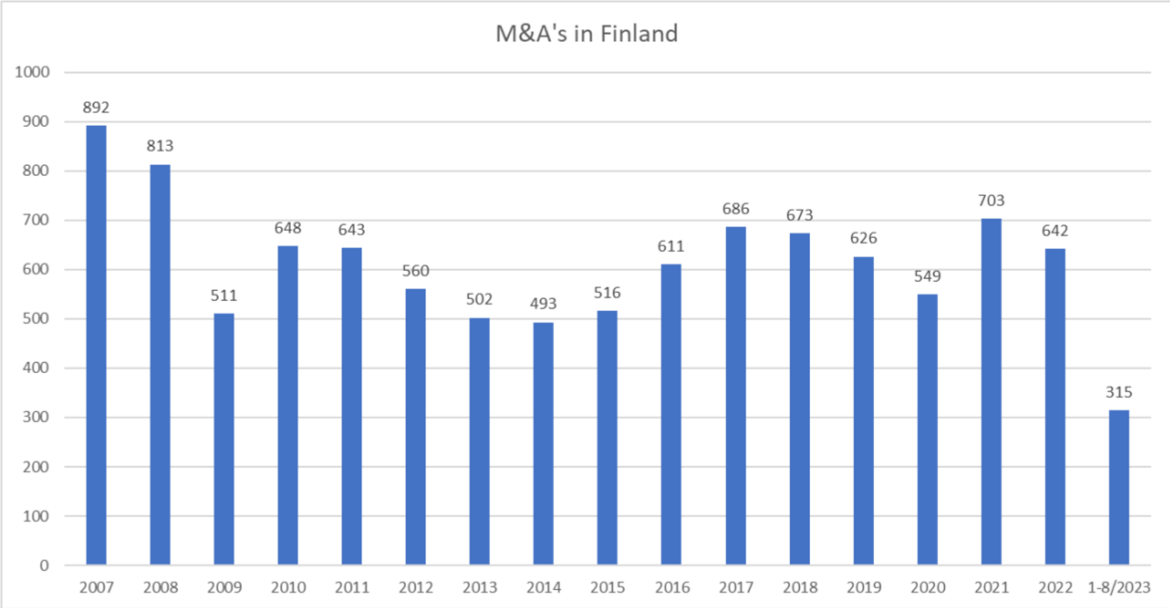

Figure 3 M&A's in Finland between 2007-2023 (Talouselämän yritystietokanta 2023)

As can be interpreted from figure three, the number of acquisitions in Finland have been in decline. Inflation and the rise in interest rates have made both buyers and sellers extremely careful this year. The increase in interest rates has clearly affected the valuation levels and the availability of financing M&A's. In addition, the fear of recession and increased yield requirements are significant factors that slow down the M&A activity. (Herrala 2023)

The forecasted number of acquisitions this year is somewhere below 500. That is a significant drop from year 2022 and the number of acquisitions is destined to be lowest in this millennium. The general activity of M&A's is on the decline significantly, and there is no fast return in sight to the levels of the recent years. When the interest rates fall or at least stabilize to a reasonable level, the number of M&A's are expected to get back on the rise. These M&A statistics are available until 2000 but the figure starts from 2007, since it is the year when the highest number of M&A's has occurred this millennium. (Herrala 2023; Juurakko 2023)

2.2.2 Acquisition types and strategic objectives

No acquisition is alike. A formula to a successful acquisition that fulfills and satisfies both parties entirely does not exist. An acquisition is a complex process in which both parties are trying to gain the maximum benefit. The selling party have their own interests in trying to get the highest possible asking price and the buying party is trying to pay a reasonable price and at the same time set goals for growing the company's business. (Remander 2022).

When conducting an acquisition, there are traditionally two implementation methods that are used: Asset acquisition or an equity acquisition. In addition to the paying method there are also remarkable tax consequences that need to be considered when conduction either one of the implementation methods. Asset acquisition occurs when the buying company acquires the assets of the target company. This includes the business itself, variable and fixed assets of the company. To summarize, all the needed assets that are needed that the business can continue. In an asset acquisition, the operation of the business continues as part of the business of the buyer company. The value of the of the acquisition comes from the fair value of fixed and variable assets. In addition to this, goodwill is also considered which can vary a lot regarding the negotiations, nature and the history of the target company. The other implementation method of an acquisition is called the equity acquisition. In this implementation method of an acquisition, the shares entitling to the ownership of the company are sold to the new owner. The buyer acquires all the rights to the company within the shares as well as to meet the responsibilities and obligations that come with the company. The bought company becomes the affiliated company of the buyer company. (Katramo et al. 2013; Immonen 2014; Remander 2022).

Acquisitions always relate to the company's strategic objectives. Based on these strategic objectives, acquisitions can be roughly divided into three categories: horizontal, vertical and conglomerate acquisitions. Some authors also identify concentric acquisition as a fourth type of acquisition (Tenhunen & Werner 2000). These four types of acquisitions can be grouped into two: expansive and diversifying acquisitions. The main idea of the division is the strategic aim of the acquiring party. The motive of the acquisition is to expand or diversify. The strategic aim can also be about positioning of the company in the market or gaining market power over competitors. (Katramo et al. 2013)

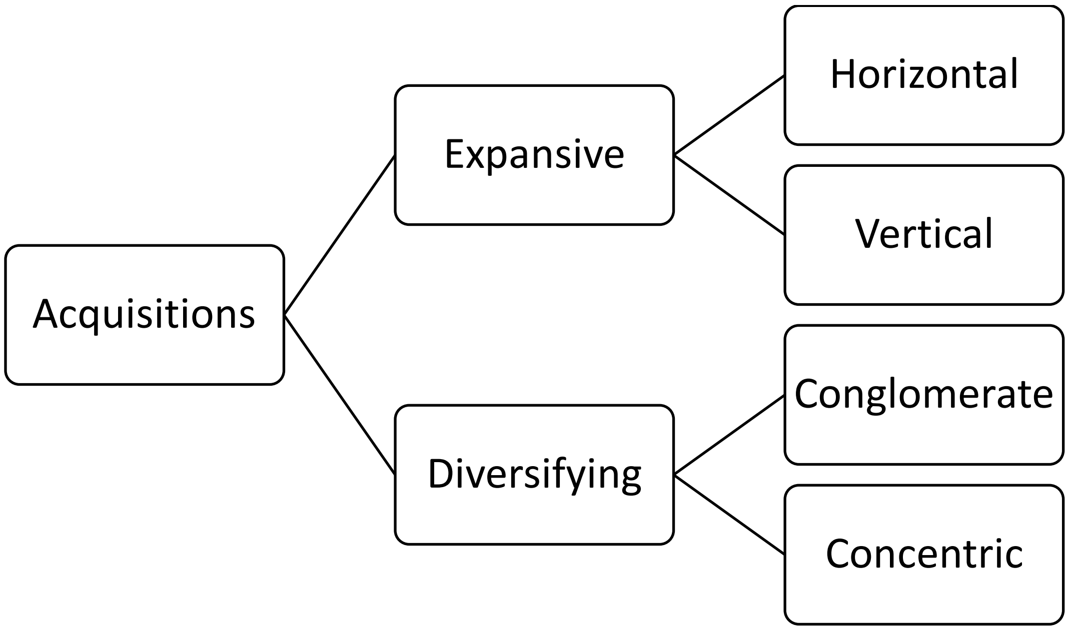

Figure 4 Acquisition types (adapted from Tenhunen & Werner 2000)

2.2.2.1 Horizontal acquisitions

Horizontal acquisition occurs when the buyer and the target company both operate in the same industry and compete against each other and at the same production level (Katramo et al. 2013). The two companies compete for the same customers with a similar product and service category (Moeller & Brady 2014). The purpose of a horizontal acquisition is to obtain as much market share as possible by buying a competitor out of the market. This limits competition in the industry and is a measure in gaining more profits. Eliminating a competitor of the market enables economy of scale and the increase in market power when the number of companies operating in the industry and in the same market decreases. A possible downside and a risk in horizontal acquisitions are cartels, monopolistic position and other price agreements that need to be considered and possibly clarify with the authorities. However, if successful, a horizontal acquisition produces significant benefits for the acquiring company. Market share, economy of scale and other synergy benefits can emerge from the acquisition. A horizontal acquisition can be also a great measure for a larger company to buy smaller companies operating in the same industry, that offer special expertise in a certain sector (niche) or have complementary products for the ones that the larger company already offers. (Katramo et al. 2013)

2.2.2.2 Vertical acquisitions

In vertical acquisitions, the buyer and the target company operate in different levels of the value/supply chain. The companies can operate in the same industry but in different stages of the supply chain. By acquiring vertically, the buyer strives to get control of the stages of the supply chain that it did not have control over (Katramo et al. 2013). A key factor in vertical acquisitions is the importance of the assets of target company to the productivity of the acquiring company (Ekkayokkaya & Paudyal 2021). The acquisition can be carried out vertically either up or down the production ladder. When moving downwards the production ladder, the objective is to ensure and enhance the delivery and availability as well as better management and control of the production chain. When moving a step up the production ladder, the main goal is to obtain marketing- and distribution channels. By doing this and owning an own distribution channel instead of using an external one, the company can cut costs, gain a better market control and defend itself against competitors. (Katramo et al. 2013)

Vertical acquisitions have gained popularity in recent years. Many large companies have decided to focus on supply chain management and thus, acquired distribution channels for their products and services. Where horizontal acquisitions help companies supplement their product portfolios and geographical coverage, vertical acquisitions enable value creation in the production process and at other levels of the value chain, since the customer contact from the production stage until to the end customer receiving the product can be managed by the company. (Katramo et al. 2013)

2.2.2.3 Conglomerate acquisitions

In conglomerate acquisitions, the acquirer and the target company do not operate in the same industry, do not have buyer-seller relationship and are not even competitors. In this type of acquisition, the target company operates in a whole new and different market and product sector than the acquiring company. The objective of a conglomerate acquisition is usually the expanding of the market area or product line (Katramo et al. 2013; Gaughan 2015). On the other hand, the purpose of a conglomerate acquisition is to diversify the business risk rather than gaining a larger market share. The acquirer must carefully and precisely analyze the acquisition and the questions relating to it. The closer the target company is to the acquirer’s own industry, the likelihood of the successfulness of the acquisition grows. However, if the purpose is to diversify business activities, the company should look further away from their own industry. (Katramo et al. 2013).

2.2.2.4 Concentric acquisition

A concentric acquisition is an acquisition, where the acquiring company and the target company technically do not operate in the same market. In these types of acquisitions, the companies have some kind of similarity in their market are, distribution channels or in their R&D. The main objective is that the two companies benefit from their similarities. When the similarities are combined and the differences eliminated, the company can expand its activities to stronger market areas and retreat from the areas which it perceives as inferior in terms of success. (Tenhunen & Werner 2000 ; Katramo et al. 2013)

2.3 Family business acquisition goals

This subchapter discusses the nature of a family business making acquisitions. What are the main differences and how do the objectives of an acquisition differ from the objectives of a non-family business.

Family businesses are stereotypically considered conservative and long-term oriented. They are known for planning and the growth strategies often rely on organic growth rather than acquisitions. The acquisition activities of family businesses are a vague concept due to the uniqueness and special characteristics of family businesses. A lot is unknown about the acquisitions family businesses make, however academic literature and research states, that there are vast differences between the acquisitions of family businesses and non-family businesses (Astrachan 2010). Because of the differences, current and widely acknowledged acquisition theories cannot be directly applied to family businesses (Worek et al. 2018). Another factor that cannot be avoided when comparing the acquisitions made by a family business compared to a non-family is the volume of the acquisitions. Family businesses have a much lower propensity towards acquisitions than non-family firms (Hussinger & Issah 2019; Gomez-Mejia et al. 2018). This is because of their loss aversion and SEW maintaining nature. Although the beforementioned have a huge impact on acquisition and other decision making as well, there are three family business characteristics direct and have a major influence on the acquisition decisions of family-owned businesses: high level of control, wealth concentration and the importance of non-economic utilities (Worek et al. 2018; Duran et al. 2015).

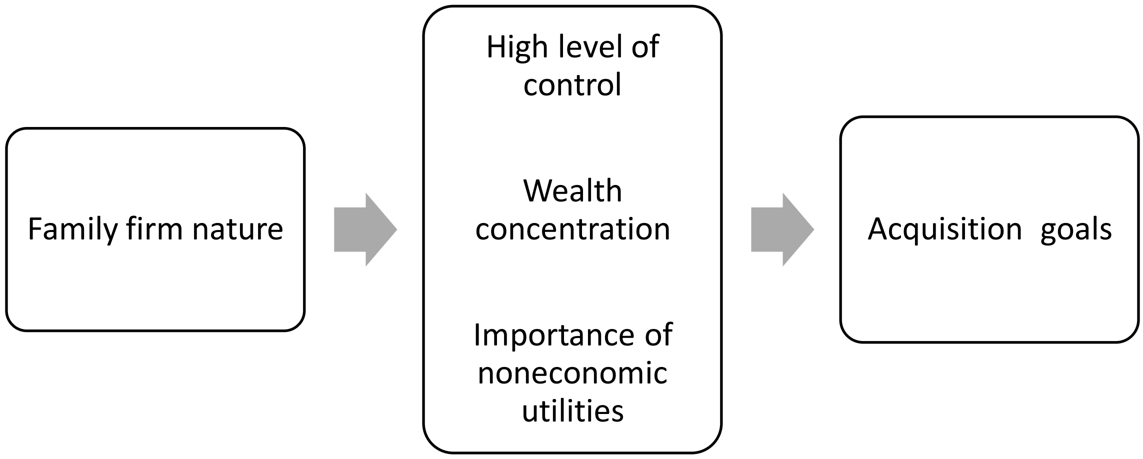

Figure 5 Expected influence of a family firm on acquisition goals (Worek et al. 2018)

As figure five depicts, Worek et al. (2018) argue that these three characteristics determine, on which grounds a family business choose their acquisition goals. The usual assumption is that family firms strive to keep control within in the family, maintain autonomy and limited accountability. Wealth concentration heavily links on loss aversion and to the careful approach towards risks, which limits the possible acquisition targets and raises the threshold to make one (Duran et al. 2015). The high level of control and the meaning of the firm to the owner family lead to the high appreciation of noneconomic utilities. The history of the firm can feel and can actually be part of the life and history of the member of the owning family. This causes owner-managers to pay greater attention to family-related noneconomic goals when making acquisition decisions (Chrisman et al. 2012; Kotlar et al. 2013). One of the most important objectives of an owning family is to retain business control across generations and preserve their internal and external long-term relationships. The relationships created along the company's history have an influence on acquisition activities. The current, long appreciated relationships can offer acquisition opportunities on familiar markets or even horizontal acquisitions. In these markets the obtaining of market power is far more likely than in new, unknown markets (Worek et al. 2018).

2.3.1 Related acquisitions

The substantial wealth increase in M&A’s for the acquiring company, comes from the synergies created with the company that has been bought. As among people, the same goes with businesses: relatedness is a source of synergies. (Homberg et al. 2009)

Related acquisitions concerns businesses that make acquisitions in similar markets and industries (Homberg et al. 2009). It is the degree of related diversification within a business group (Wang et al. 2019). Related acquisitions should not be mixed up with horizontal acquisitions, since they are more vertical minded. As mentioned earlier in this thesis the aim of a horizontal acquisition is to gain a larger market, buy a competitor and enhance economy of scale. Instead, the related acquisitions are more but not entirely vertical acquisitions, because of the motive of finding synergies in the same market the business already operates in (Gugler et al. 2003; Holmberg et al. 2009). Tuch & O’Sullivan (2007) agree with Holmberg et al. (2009) who both conclude that business relatedness and thereby related acquisitions have a positive effect on acquisition performance.

2.3.2 The dilemma: Mixed gamble, SEW and M&A’s

Family businesses often confront a dilemma when making strategic decisions: whether to maintain current SEW or pursue a riskier potential financial wealth (Gomez-Mejia et al. 2018). This situation causes the so-called mixed gamble situation. Mixed gamble is the situation with both gain and loss outcomes. For example, in pure gamble, it has the potential for either gain or loss outcomes but not both (Martin et al. 2013). In mixed gamble for family business owners, the dilemma is to weigh the anticipated losses and gains in both financial and SEW terms. The mixed gamble situation occurs, when family businesses make strategic decisions based between the two dimensions, financial wealth and SEW, where gains in one dimension are often losses in the other. The mixed gamble involves possible gains and losses in both dimensions (Gomez-Mejia et al. 2018; Martin et al. 2013). Financial objectives and targets should suggest that a family business with high family control and concentrated ownership, should pursue for unrelated, diversifying acquisitions. However, in order to maintain the SEW of the family business, these kinds of acquisitions should be averted. Unrelated, diversifying acquisitions also lead to losses in control, weaken the culture of the family business and harm the core identity of the family business (Gomez-Mejia et al. 2018). In addition, Hussinger & Issah (2019) stress the fact that the mixed gamble of family businesses regarding acquisitions is biased towards potential losses. The dimensions of the family's SEW losses are far greater than the potential gains that they may gain from the acquisition. Hence, the nature of SEW dimension of a family business and the family control is negatively associated with the volume of acquisitions. Acquisitions in general usually require external capital or other financial aid, which can weaken the family control or weaken the social ties of the family business (Hussinger & Issah 2019). The potential SEW loss is a risk for family businesses making acquisitions, and it often neutralizes the potential gains in the acquisition context. This can be explained as a manner for family businesses to preserve their SEW (Cuevas-Rodriguez et al. 2023).

Chrisman & Patel (2012) state that family businesses have shifted from loss aversion minded companies to maintaining the SEW as their priority. Hussinger & Issah (2019) agree, and state that family businesses are risk willing and risk averse as long as they preserve their SEW. In order to maintain their SEW, despite acquisitions having a major impact on the whole company, family businesses should pursue related acquisitions instead of unrelated acquisitions. Related acquisitions allow family businesses to diversify at a smaller risk and at the same time staying close to their core business. Having been in the business and in the industry a long time, family business owner-managers have developed affection and exceptional knowledge of the products, services, technologies and expertise of the industry and market they operate in. Related acquisitions allow family businesses to expand and diversify with a limited risk of losing SEW. And since related acquisitions always come with synergies and complementary assets from the business being acquired, there is a large potential of increasing SEW in the long term. (Hussinger & Issah 2019). Gomez-Mejia et al. (2018) highlight the fact, that when family businesses make acquisition decisions, they are more likely to make a related acquisition than non-family businesses. Pinelli et al. (2023) agree and extend the argument that family businesses are more likely to make related acquisitions in *uncertain* environments to avoid weakening the family's current SEW. On the other hand, they argue that family businesses are more likely to make unrelated acquisitions when the operating environment is uncertain, but the *prospective* financial gains are more predictable (Pinelli et al. 2023). The two figures below summarize they key takeaways form this subchapter.

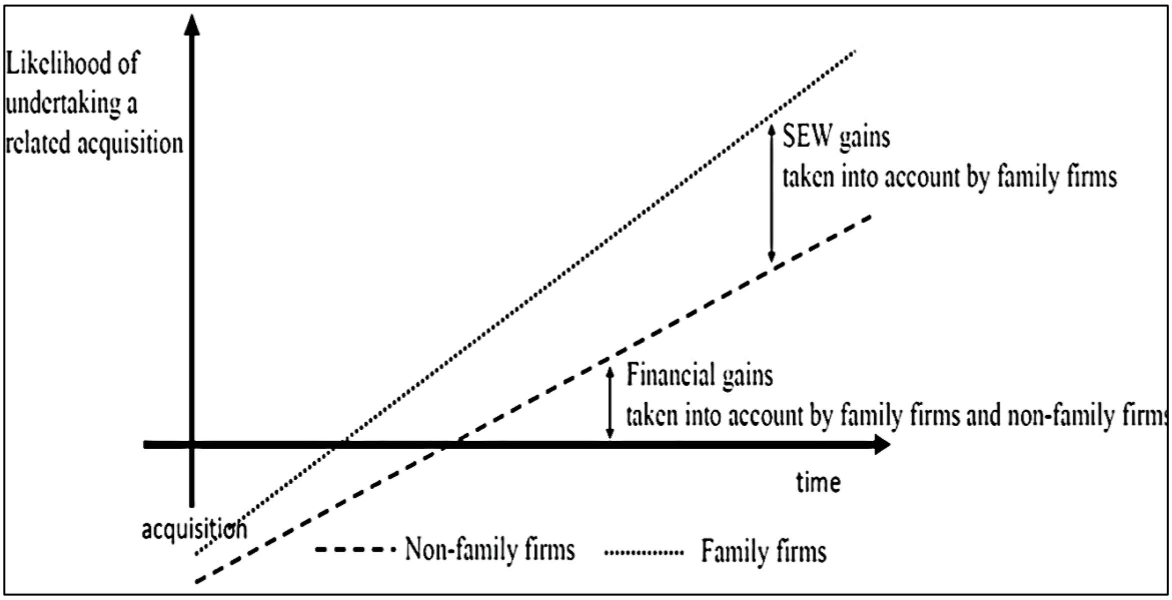

Figure 6 Related acquisition likelihood family firms vs non-family firms (Hussinger & Issah 2019).

In figure six, it is depicted that family firms are more likely to make related acquisitions than nonfamily firms. These acquisitions promise family businesses substantial SEW gains in the long time period. As depicted, SEW losses are possible or even likely in short period, when the acquisition happens. This is due to the managerial attention and other possible integration difficulties that the acquisition requires. The SEW losses in the short run also includes the financial losses caused by the acquisition and other costs relating to it. However, the expected long-term SEW gains which are created by the synergies adopted in the acquisition, are expected to outweigh the SEW losses that are likely to be suffered in the early stages of the acquisition. These long-term SEW gains are expected to turn into financial gains in the foreseeable future. (Hussinger & Issah 2019)

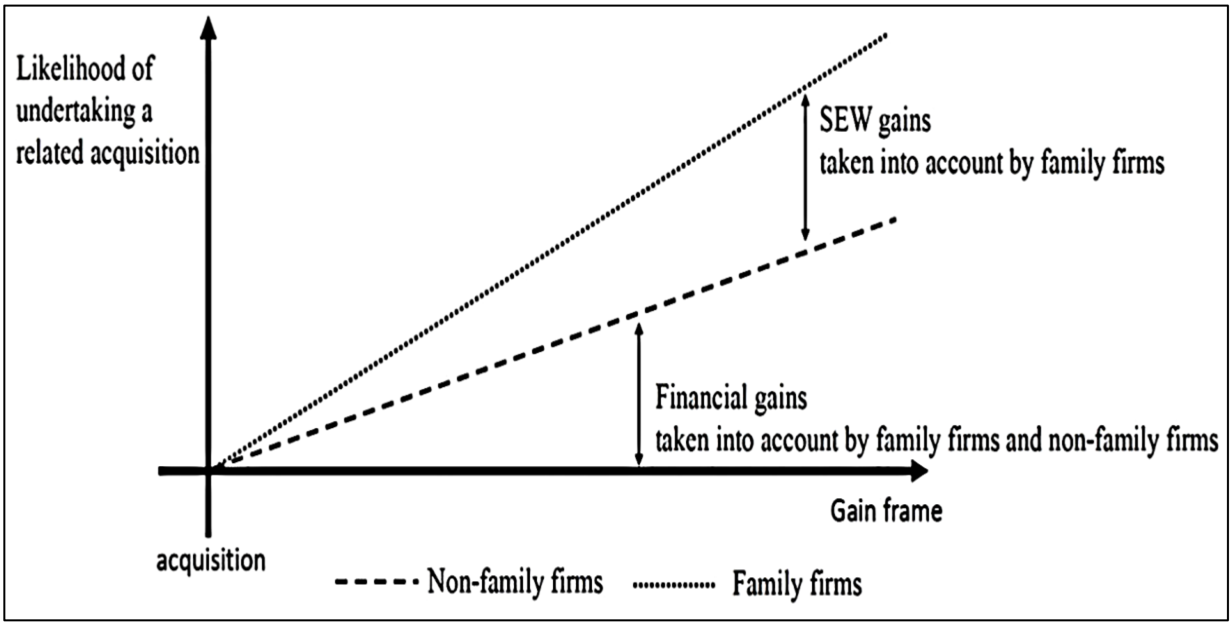

Figure 7 Family firms vs non-family firms in a related acquisition gain frame (Hussinger & Issah 2019).

In figure seven, it is depicted the inferior position of non-family firms in a gain-frame compared to family firms. This is because non-family firms put less emphasis on long-term potential of the acquisition compared to family firms. This combined with the long-term SEW gains associated with family firms, means that non-family firms are expected to miss unrealized financial gains that family businesses are expected to obtain during longer time period after the acquisition. Family firms realize higher post-acquisition performance than non-family firms in a gain frame. (Hussinger & Issah 2019)

2.4 Theoretical framework

Every acquisition is a one of a kind. However, certain patterns can be found in every M&A process. The typical M&A process by Liimatainen & Lähteenmaa (2020) is included in figure eight where the generic stages of a M&A process can be seen. However, there are always many different people from both parties involved, usually even a third party as well which can be e.g., external financers. Therefore, there is no universal guideline or pattern that can always be followed when entering to a M&A process. Every process has a lot of moving parts, and it involves a large deal of planning, especially from an acquirer point of view (Katramo et al. 2013). M&A strategy is crucial to exist before even beginning about acquiring another business. Even a thoroughly planned M&A strategy is useless if the acquirer does not take effective measures to implement it (Liimatainen & Lähteenmaa 2020).

The theoretical framework of this study, presented in figure eight, depicts the general M&A process. In addition to that the family business elements and characteristics are added to this process. The end result is to examine which of the characteristics of a family business influence the M&A process and to which extent. How does the M&A process of a family business differ from non-family business or does it have any influence at all.

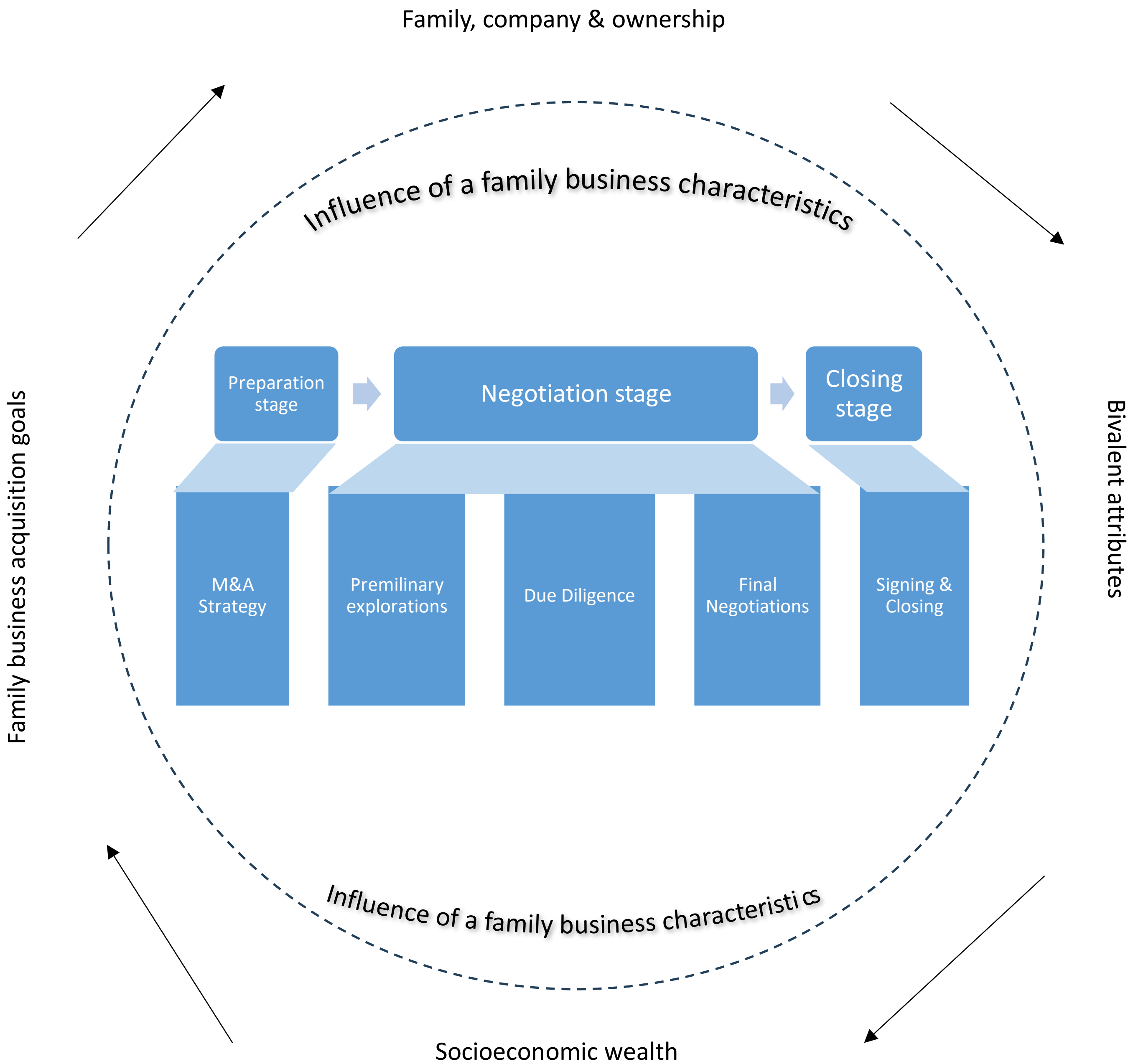

Figure 8 Theoretical framework

3 Methodology

In this chapter, the methodological choices of this study are presented. In addition to those choices, research strategy and method, data collection and data analysis methods are also presented and discussed in this chapter. Thus, the reader can have a comprehensive understanding of the research process and the motive and perspective behind this study.

In general, case studies are done in close co-operation with professionals who are working in the field of the research and hence, deal with real life management issues and practices (Gibbert et al. 2008). They represent a methodology that is a perfect fit for creating knowledge, that is applicable for managerial use (Leonard-Barton 1990). This case study and other qualitative research offer a variety of different approaches, perspectives and solutions rather than a singular approach. Because of the differences of organizations that are being studied through case study research, the solutions and methods provided by the qualitative research offer enhanced awareness and unique assumptions (Gehman et al. 2018).

In their study Gehman et al. (2018) propose three influential scholars, whose research methods in the qualitative research field have been remarkable. The one method that has been utilized when conducting this research is the *Grounded theory* method*,* which this study will discuss later as well, by Gioia (1991). In the study of Gehman et al. (2018) Gioia is interviewed and states the following: "Studying this world requires an approach that captures the organizational experience that in terms that are adequate at the levels of (a) meaning and (b) social scientific theorizing about that experience". The aim is to find similarities and differences among the topics of the research. When the so-called first order codes and themes are assembled with the second-order themes and codes, the foundation for the data collection has been built. Gioia highlights, that is the most crucial part of the research process in this research method, because it shows the progression of the research process. However, this combination is a mere depiction of a much more complex phenomenon of what a qualitative research is altogether. The grounded theory presents the dynamic relationships among the emerging concepts. When done correctly and in a proper manner, the results of grounded theory method using study clearly illustrates the data-to-theory connections. (Gehman et al. 2018)

3.1 Research strategy and method

This study was conducted by interviewing two executive members of the case company. This research strategy was clearly the best alternative in order to get the most authentic and comprehensive results regarding the topic. Although the number of interviewees may seem small, the credibility of the study was to be preserved. Therefore, only the members of the company who make the acquisition decisions were interviewed. Qualitative data methods were used for empirical research. This study does not present any hypotheses since the research concentrates on the perspectives and real-life experiences of the interviewees. Interviewing professionals is relatively common method in qualitative research. This helps the reader in getting additional and deeper understanding of the subject, because of the added value and clear explanation of the phenomenon brought by professionals of the topic being discussed (Hirsjärvi et al. 2009). As mentioned in the introduction chapter, the case company shall remain anonymous due to the delicate nature of the business information received during the interviews and along the research process.

In achieving the purpose of the study and by following the research strategy, a qualitative research method was chosen. In qualitative research, the examination subject is the world meaning, which is interpersonal and social. These meanings manifest themselves as relationships and as meaning entireties they created by the relationships. These entireties in turn manifest themselves from occurrences beginning from people interacting with each other and ending with people interacting with each other. The ultimate goal in qualitative research is to capture people’s own experiences of perceived reality (Vilkka 2021). In this research, the main purpose was to find out, how does the

M&A process unfold in the family business context and how does it differ from non-family-owned companies.

In case study research, the researcher studies a single event, a limited entity, or an individual by using versatile and different data collecting methods. The objective is to investigate, describe and explain different real-life cases mainly with the help of how- and why-questions (Yin 2009). This kind of research strives to achieve a systematic, accurate and truthful description of the characteristics of the research object (Hirsjärvi et al. 2009). What is essential and even crucial for this kind of research is that the case that is being studied forms some kind of entity or a whole. A case study can consist of qualitative and or quantitative data collecting methods (Yin 2009).

3.2 Data collection method

There were two methods of data collect that were used in this research. The first one was natural occurring material. This can be any material, that has been created regardless of the researcher. According to Jokinen et al. (2016) these materials can be e.g., texts, news, websites, reports and meeting reports. These materials have been created for some other reason, than for the purpose of this study. For this research e.g., the reports about the past acquisitions are important natural occurring materials.

The second method was the conducting of interviews, to be more precise, *theme interviews.* The aim in theme interview, also known as semi-structured interview, is to pick out key themes and topics from the research question or problem, which are crucial to be dealt with and answered in the interview (Vilkka 2021). A major benefit in conducting an interview is the flexibility aspect. Interviewer can, if needed, repeat the question, correct misunderstandings, clarify word choices and have a honest conversation with the interviewer. The interviewer is not only the recorder in the situation but also the observer. It is important to remember that in addition of what is being said, the interviewer can also observe how things are said (Tuomi & Sarajärvi 2018).

The advantage in theme interviews is that the clarifying questions can be modified and altered depending on the answers given to them (Hirsjärvi & Hurme 2007). It is a matter of opinion, which also links to the traditions to the history of qualitative research, does the interviewer have to present the questions beforehand, in the same order and in the same form of words. The overall structure is not regulated strictly, and the implementation can vary widely (Tuomi & Sarajärvi 2018).

Interviews were conducted in the space of few days in the beginning of October 2023 at the company premises. Both interviews were conducted face to face with the interviewees. Since the interviews happened face to face, only audio recording was seen sufficient.
Before the interviews, ethical guidelines and other GDPR related issues were discussed with the interviewees. Practical things and permissions were granted and agreed by the interviewees before the actual interviews that the interviews could go through as planned. Interviews lasted from 45 minutes to 55 minutes.

Two interviewees were selected from the case company. The selection basis was the active participation in the company's M&A processes. The CEO of the company has been seven years in the current position. He has not worked in other positions in the case company. Before the CEO position, he has worked in other companies in the same industry for almost 40 years. He has been in executive positions and in board positions as well. The CSO of the company has been in his current position for five years. Before this position he has worked in several other industries in several companies. The job positions in these companies are somewhat different than his current position at the case company.

3.3 Data analysis

The unit of analysis in this study is an acquisition, in which there are two in this study. When analyzing the obtained data, the research will conduct a data-oriented analysis or in other words *Grounded theory*. In this type of analysis, the researcher's goal is to find some kind of logic of operation or guided by the research material*, a type report* (Vilkka 2021). In grounded theory studies, the analytical focus is not determined before the empirical inquire. It occurs throughout the research process by interacting, constructing, and thinking about the data gathered. The defining purpose is to construct a theory that gives the reader a deeper, abstract understanding of the topic being studied (Charmaz & Thornberg 2021).

Despite dot deciding the analytical focus beforehand, the researcher does decide beforehand, where he/she seeks the logic of operation or type report from the obtained data. After this, the reduction of the data can begin. This means reducing all the irrelevant information from the data without deleting the relevant data. The research problem and questions help the researcher to decide which part of the data is relevant for the purpose of the research. This requires that the data must be divided into sections or parts so this can be easily done. The division can be e.g., the answer data of one question which is the simplest way. (Vilkka 2021)

When the research material is gathered through interviews, it must be altered to a form, where it can be studied. When it comes to interview material, it means the transcription of the interview recording to a text format. In qualitative research methods, the research material is always in picture or in text format. Although the transcription process itself is an arduous task, it extends the dialogue between the researcher and the research material. (Vilkka 2021)

3.4 Evaluation of the quality of the data

A common issue in case study research is, that the study seeks to study the selected phenomena in the context of the study, not independently of it. Therefore the validity and the reliability of every research are emphasized. Four criteria are used to evaluate the validity and the reliability of a research: internal validity, construct validity, external validity and reliability. Internal validity refers to the causal relationships between variables and results. This measures the ability of the researcher to provide plausible arguments in order to defend the research conclusions. Construct validity refers to the degree in which the study is able study what it claims that it studies and the ability of it. External validity addresses the issue that was mentioned in the beginning of this subchapter; theories must be able to be argued for not only in the setting selected in the study but in other settings as well. Lastly the reliability aspect that refers to the general reliability of the study. This meaning that the study does not contain random errors or other issues that may harm the reliability of the study. An important aspect in the general reliability of a study is the transparency of it. Transparency can be proven by providing clear and accurate documentation of the research procedures in a way that is simple for example future investigators to ensure that a study has took place in a proper academic manner. (Gibbert et al. 2008).

3.5 Case company

As mentioned earlier in this thesis, the case company shall remain anonymous. However, following details can be revealed about the company, since it is necessary for the reliability of thesis. The case company is 100% family-owned retail- and wholesale company operating in-side the Finnish borders. The revenue of the company during the writing process of the thesis is between 100 and 200 million euros. The company has roughly 800 employees. During company’s lifetime, there has been another owning family as well, but in this millennium the company has been 100% family-owned by only one family.

4 Results

In this chapter, the results of the theme interviews are presented. The results are presented in groups according to the themes of the interview questions (see appendix 1). Three different themes were selected as the key research themes considering this thesis. The three themes are: family business, M&A and family businesses as an acquiring company. The interview material is presented in these three themes. The material also includes direct quotes from the interviewees. One important aspect must be taken into account. In the case company the owners of the company are also executives and part of the operational activities. This difference must be observed when interpreting the answers of the interview questions.

4.1 Family business

When asked about the family business as a concept, both interviewees were unanimous about the meaning of a known owner or a owning family. Both see that as an important factor which can be sensed among the company. Personnel know who the owners are and know who can be asked or contacted and who is responsible of which area of business. Low hierarchy is also seen as a valuable aspect in the case company. Both also see the family business as a resource and definitely a positive thing. Long-term orientation can be seen in the company. When compared to a company which is owned by venture capitalists (henceforth summarized as VC) or is a publicly listed company, people do not usually know who owns the company or there are usually a lot of "faceless" owners.

> *Family business is definitely seen as a positive thing. When talked about family businesses, the family who owns the business is often mentioned simultaneously and they respect that. People know who are behind the business and its values, rather than big ugly VC's or faceless owners.*

- *CSO*

The financial aspect was also mentioned by the CEO. It is very different compared to a public firm or if you have a VC financing your company. With owning family owning the whole company it is their own money and own risk. This can be seen in investments and in the M&A's. They are planned and executed in a way that helps the company in the long-term.

However, both point out that all the beforementioned do not apply in every family business. Faceless owners can be found in family businesses also. As described before in this research, families and family members are different. Family business values depend highly on the fact if the family members are just owners or if they are also employees. A family business in which the owning family are solely owners and do not participate in the operational activities differs vastly from a one where family members are for example in executive positions.

> *Some family businesses have practices that nobody from the owning family can be an employee at the company. They might be solely board members and set policies on how the firm must operate in certain circumstances.*
>
> - *CSO*

> *Every family business has its own characteristics. I think it starts from the ambition of the owners. Are they genuinely involved in the company, are they just in for the dividends, are they fighting with each other etc. The internal marching order must be in place. Especially where there starts to be multiple owners, things can get ugly, and I think that is one of the biggest risks in a family company.*
>
> - *CEO*

In the day-to-day business, the effect of the family business is seen as neutral by both interviewees. Personnel in the company are not affected by policies set by the board or management. However, as there are family owners in executive positions at the company, they naturally have power to participate in every decision whether it is big or small. And the nature of the family business is that the owning family is interested in every decision big or small.

4.2 M&A's

Both interviewees have been involved in many other acquisitions in their career. The CEO has been the leading negotiator in the M&A's this company has made and the CSO has been involved as well, taking care of the practical things in the M&A process, such as previewing and preparing the contracts and check the due diligence.

The idea for the acquisition is twofold in the company. The primary goal for the company is obviously to grow, organically and through acquisitions. The industry where the company operates in is known to be difficult to enter and opening new stores from the ground up is difficult as well. Therefore, when the initiative comes from the selling party that it wants to sell its business, there is usually always interest. The initiative can come from the seller party itself or there can be third party which operates as a mediator in M&A's.

Before any official announcements or even preliminary decisions have been made, the chairman of the board and the CEO have gone and visited the potential acquisition object and benchmarked it. After this, the opportunity to conduct an acquisition has occurred, the Chairman of the board and the CEO present the idea to the board. They tell about the potential target a bit more and what the price range of the acquisition could be. If then the decision has been made to go through with the acquisition, the COB and CEO authorize certain executives and the financial department of the company to negotiate about the more accurate terms of the acquisition. The more likely the acquisition becomes in the M&A process, the more people from the acquiring company are involved step by step. After every practical thing has been agreed, a NDA can be signed and a teaser from the financial situation of the selling party can be received. The NDA and the teaser part do not happen always but for the purpose of this thesis, this is mentioned. The parties of the acquisition can also agree that the selling party does not negotiate with any other party. This agreement can last even for years or until the acquisition has been completed.

> *A lot of times when an acquisition is going to happen, the "bride goes through a make-up". A good financial department can see what is make-up and what is not.*
>
> - *CEO*

However, the M&A process can be a much more straightforward than this. It depends on various aspects but if an entrepreneur wants to sell his or her own business, the process can be swift. It depends heavily on the ownership structure of the selling company and whether there is intermediary between the acquisition. Also, an aspect what has to be taken into account is the situation of why someone is selling. Is there a bankruptcy behind, is the owner in bad condition physically, are there no continuators for the business and so on. These factors effect also heavily on the final asking price. The situation is drastically different if someone wants to sell its business as an entrepreneur or if a bigger company wants to unload a certain division of its business. The case company has been in both types of M&A situations and knows the strengths and weaknesses of both situations.

> *If there is a small, small acquisition in question, the selling party can make a phone call and in about five minutes, all necessary details have been informed by the selling party and the M&A process can be progressed lot further than another acquisition in months.*
>
> - *CSO*

The role of the intermediary is frowned upon by the interviewees since its presence in the M&A process usually drives up the price for the acquiring party and slows down the communication and thus, the whole negotiation process. The intermediary also comes outside the industry, so they do not have the knowledge of the industry and what the M&A negotiations usually consist in that specific industry. What is the value of inventory, customer relationships etc. However, the intermediary can offer valuable information about the company that is the target of the acquisition. The intermediary can be a business broker, or a company specialized in M&A's such as a consulting company, a bank or some other kind of remarkable institution of that kind.

In the latter case the intermediary can compose an *Information Memorandum.* In this memorandum, the list of contents can be as following:

1) Executive summary
2) The market situation
3) Business overview
4) Operations
5) Overview of property portfolio
6) Management and employees
7) Legal and other information
8) Financial information

   Appendices

This kind of document can be hundreds of pages long and it gives the acquiring company a comprehensive review about the overall situation of the company that is the target of the acquisition. However, even if all the information from the memorandum can be acquired from the company itself, a third party composed document is more truthful and impartial and, in that way, benefits both parties.

It depends heavily on the size of the selling party and the complexity of the acquisition which kind of documents and information are shared before the actual acquisition and whether an intermediary is used.

When discussing about the duration of the acquisition negotiations, a simple generic answer is impossible to get. It is directly proportional to the size of the company that is being acquired. And on the contrary to public knowledge, the cause of prolonged negotiations is not always the asking price. The causes can be different contractual liabilities and responsibility issues. For example, if properties are involved in the acquisition, how long is the contractual liability of the selling party if something breaks or malfunctions in the property. The longest negotiations for the case company have been the ones that where the issue has been something else than the asking price.

> *At the very least, it can take like a week until the decision to acquire has been made. But the whole process takes longer of course. It can take and it usually takes several months.*
>
> - *CSO*

> *The whole process should take at least two to three months in order to get a proper understanding and the sufficient information of the target company.*
>
> - *CEO*

When asked about the M&A strategy of the case company, both interviewees admit that there is no written M&A strategy for the company. However, both highlight the fact that the company has a strategy to expand and grow both organically and through acquisitions. In the retail business, it is often seen easier and more cost-effective to acquire an existing company rather than expand to a new geographical area and build a store from the ground up. The company also acknowledges the limitations of its resources for example in logistics and therefore does not actively seek companies too far away from the central warehouse. There are also other aspects which are mainly related to concentric and conglomerate acquisitions which are not suitable acquisition targets for the case company. Usually, it is due to the business model of the target company. The target company can operate in the same industry or little outside of it but has a completely different business model contrary to the case company. Vertical, conglomeratic, and concentric acquisitions are seen less favourable than horizontal acquisitions and that can be seen as a strategic decision for the case company. However, the three first mentioned acquisition types are not completely ruled out.

As mentioned before by the interviewees the primary objective of the acquisitions is to expand and grow. Especially in the retail industry, which is a very competitive industry, if you do not grow, someone else will. The volume of sales dictate on how will survive as a business. In the retail industry there has been for a while and there still is a trend that the retail industry centralizes. The industry is going to a direction where there are few bigger chains and businesses, and the smaller entrepreneur-driven stores are dying out either through a retirement or getting bought by a bigger chain. This is solely because the smaller retail stores cannot compete with the volumes of the bigger businesses. Economies of scale apply in a way that drives out the smaller entrepreneurs in the industry.

> *The most significant factor that determines the competitive strength of the company is volume. If you want to be able to compete in any industry, you have to have a certain critical volume of sales and purchases. The percentages that vary in high volume sales and purchases are crucial for the profits of a business.*
>
> \- *CEO*

> *When the growth stops, the rotting begins. Therefore, it is necessary to always look for growth and new business opportunities and geographical areas that are not still covered.*
>
> \- *CSO*

As there has been numerous acquisitions in the company's history, there are obviously a lot of lessons learned from these. However, the case company does not have a comprehensive "lessons learned" file from the past acquisitions. Some of the acquisitions that have happened recently are obviously still in fresh memory since the people who were involved in the acquisitions are still working at the company so a written memo or other form of file of these acquisitions and the lessons learned are not have been seen necessary.

4.3 Family business as an acquiring company

The main research gaps of this research were circling around the theme of how the M&A process of an acquiring family business differ from a non-family business. A significant factor and probably also the reason why there is no unambiguous explanation for the differences of the processes between family and non-family businesses is the differences of families and family businesses altogether. There is a general misconception that all family businesses operate in the same way or are somewhat similar. This conception could not be any more inaccurate. There are as many family business operating models as there are family businesses in the world.

The role of the family members in the company dictates the degree of the differences in M&A processes between a family business and non-family business. If there are family members in executive positions in the company, the M&A process can begin and close rather swiftly. The swiftness of the process can go either way. The deal can be closed and approved very soon from the start of negotiations. However, it can also be abandoned quickly as well due to the low hierarchy and the flexible and agile decision making what comes with decision makers being executives and owners simultaneously. Some decisions whether they have small or large impact can be made based on feelings and emotions alone. This requires vast knowledge of the industry and a bond of trust between the parties of the acquisition. In family businesses where the owners are not part of the operational activities, some decisions made by the management must be approved by the owners and this will slow down the decision-making process and in the long run can lead to missed profits and other business opportunities.

> *It depends heavily on the role of the family members in the company. If none of the family members is involved in the operational activities, the M&A process does not differ from a non-family one.*
>
> \- *CSO*

On the contrary, being an executive who is a part of the team that makes acquisition decisions but not being a part of the owning family is vastly different. Also, if the owners of the company are not taking part in the operational activities of the company. The executive making acquisition decisions has to be sure that a certain acquisition is the right way to go. External assistance is often resorted to. The management and the executives protect themselves from making decisions without background information.

> *The management of the company can use hundreds of thousands of euros in different analyses of the market, KPI's and all sorts of data even if you know the market throughout. This is done because the management must protect themselves and to show that impartial analyses and data favours a certain decision as well. This raises the question about the efficiency and the necessity of the decision making.*
>
> \- *CEO*

Family business specific characteristics that affect the business acquisition process either positively or negatively, this is what both interviewees can agree on. Beforementioned flexibility in the decision-making process and low hierarchy are one of the positive aspects mentioned during the interviews. When negotiating with a family business, contracts and other matters or issues are usually easier to reconcile with a family business. They are seen as moderate owners who are trustworthy and keep their promises more often than non-family businesses. The “gut feeling” can also be seen in the decision-making process of a family business. The calculations, statistics and data can be looked at, but the decisions can be made with instinct. Knowing the industry and the players and the competitors who are operating in it, the consultation of external help in certain decisions is a waste of time and money. However, if a decision made by instinct turns out to be a bad one, this characteristic can be seen as a negative aspect as well.

When discussing the possible negative family business characteristics that could harm the acquisition process, the opinions of the two interviewees differ a bit. The over-optimistic attitude towards the future is a common feature in family businesses. There can be situations where the family business trusts in something or in someone and promises are not kept or a belief in the future is too blind in order to see warning signs or other threats that may lie. Due diligences can be smoothed out or overlooked and that may cause unexpected expenses in the future. Another negative aspect mentioned is the secrecy and mystery behind the closed doors of a family company. As mentioned before in this thesis, family businesses have their own private language and expressions that no-one can recognise or interpret. It is hard for an outsider to gain information about a family company and the mutual relationships within the family. Whether they are arguing, who is responsible of what. Family businesses like to keep their cards close to their chest and that is one aspect of being a moderate owner.

Sometimes the belief to a too good future can overwhelm in a family business. The neglection of calculations and the trustworthiness in other people can have serious consequences. This is partly because due to not wanting to use external help and wanting to keep the strings in own hands. If curves are straightened, for example when doing DD, the red flag can be found much later than it could have been found.

- *CSO*

The thing about family businesses is that you can never know whether they are "good or bad". An old family business does not mean that everything is great, and everybody gets along and vice versa. You cannot see the family relationships from the outside. I would not say that family businesses are like secret societies but in a way the information they give out can sometimes be very shallow and that can cause problems.

- *CEO*

When asking if these family business characteristics appear only when negotiating with another family business, the answer is a simple no. The process differs every time, depending on the people negotiating it and what is the acquisition about, does the selling party wants to get rid of company or a division or is the buying party pushing to buy something.

I don't see that it (family business characteristics appear only when negotiating with another family business) has a meaning. What instead has a lot of meaning, is the experience of the buyer and how well and how accurately the buyer can value the target.

- *CSO*

The differences in negotiations with another family company and non-family company instead exist. In a non-family company, all business decisions are in some level approved by the board or other institution. To some extent the executives in a non-family company have a mandate to make decisions but sometimes the decisions have to be approved in the next board meeting or similar and that can slow down the acquisition process significantly. Whereas in family business where the family is the owner, executive and employee and they usually have the authority to make whatever decision they like.

> *In some cases, the executives have to take the decision to the next board meeting and have them they say yes or no whether they have any idea about the decision or the repercussions it might have. The role of the board members is crucial whether they are involved in the operational activities of the firm or not.*
>
> \- *CSO*

> *Well basically we shouldn't operate differently whether the opposing party is a family business or not. The most important thing in an acquisition is that you are able to appreciate the buying target correctly and find the synergies that can be captured in said acquisition. However, in some cases a family business can have a weakness towards another family business that can be seen in the final asking price.*
>
> \- *CEO*

During the interviews it has come apparent that the negotiations between two family companies tend to progress more effortlessly than the negotiations between a family company and non-family company. However, this does not justify the fact that the company would seek out especially family companies when deciding acquisition targets. They acknowledge the fact that it is a positive aspect but does not determine the final acquisition decision.

Both interviewees also agree on the fact that it is solely circumstantial that a family company would more commonly acquire another family company. It depends on various things on various levels but essentially the need, ambition and objectives of an acquisition are the primary drivers of an acquisition to happen.

In the last question of the interview, both interviewees were asked to name the strengths and weaknesses of a family company as acquiring company. In this question the answers were slightly different among interviewees. The long-term orientation and investing for the next generation and not for short-term profits is seen as a strength and the moderate ownership status which has been mentioned before. The family business status is seen as a positive aspect altogether. The reputation of a family business is usually trustworthy and loyal, and people and businesses appreciate these characteristics. Another strength that was mentioned is the fast decision-making process. However, this is seen as a negative aspect as well. Rapid decisions can also lead to speed blindness and important aspects can go under the radar.

> *The key in the long-term orientation of family company is that you have to have tournament endurance. Being aware of that everything doesn't have to happen in a week or month. The investments of today can be profitable after years. A company cannot make remarkable acquisitions every year and in some point the operating principle regarding acquisitions and in achieving growth must change.*
>
> \- *CEO*

The rapidness of the acquisition process can be both good and bad thing. Everything may seem great, and process goes smoothly but you might end up a bomb in your hands in the end. In an acquisition, family company may get a better price than some other company or an institution but that is also circumstantial.

- *CSO*

4.4 Summary of the key findings and revised framework

This thesis examines the acquisition process of a family business. A lot of academic literature revolve around the topic but not a direct study has been made about the topic of this thesis. Thus, this thesis offers a new perspective to the M&A literature by examining the objectives and motives behind a family business acquisition process. The topic comes more and more relevant in the coming years since change of generations are growing due to demographic age structure, at least this is the case in Finland, where this study is conducted. The concentration of the retail industry is also a trend which affects to the growing ownerships changes. Large chains and other ownership structures will eventually own a major part of each industry and the share of sole entrepreneurs will decrease in the future. As presented in the introduction chapter, the need for deeper understanding of a family company's acquisition motives and principles is needed. Therefore, this study aims to answer the research question:

How does the M&A process unfold in the family business context and how does it differ from non-family-owned companies?

The study develops understanding of the topic through semi-structured interviews which were conducted with two executives of the case company, the CEO and the CSO who are both actively involved in every M&A decision the company decides to pursue. These insights provided by the interviewees offer a unique perspective to the topic and help deepen the understanding of a largely published topic. On the other hand, the family business acquisition aspect is less dealt in the academic literature. The interviews, together with the literature review give a comprehensive picture of the topic and the main findings of the study are brought forward.

The family ownership status all in all is seen positively among society. It represents certain values that are widely distinguished in the society. Long-term orientation, low hierarchy, reputation of being a good employer, trustworthiness, loyalty, and flexible decision-making processes are some of the core values that are highlighted when discussing about family businesses. More importantly the presence of known owners and owning families is factor that is seen crucial in a family company. The familiarity of the owners is considered valuable for personnel and customers of the company and is seen as a resource.

The M&A process cannot be described simplistically. However, a simplified formula was found for the M&A process of the case company. The basic ingredients of the process do not vastly differ from what was found in the academic literature and especially to the one that was used in the theoretical framework. The preparation stage, negotiation stage and the closing stage can all be found in the company's M&A process. What differs the company from a "normal non-family-owned company", is that the phases and stages of the M&A process can be smoothened out and corners can be cut. The usage of external help and an intermediary in the M&A process is avoided. This is due to the concerns about increased costs and the potential lack of industry-specific knowledge which is crucial in these types of negotiations. However, occasionally the facts and the complexities of the M&A process must be acknowledged, and external help hired due to the large number of factors involved and rather high prices to pay. A major difference to a traditional M&A process was found and that is the lack of M&A strategy in the case company. The absence of the strategy is acknowledged, and it is argued. The company sees that the strategic focus on both organic growth and acquisitions is seen sufficient and the acquisition targets usually present themselves so the resources of following and updating a M&A strategy is seen not that important.

Another important factor when discussing about family companies and their operating principles as an acquiring company is to acknowledge the fact that like every family, every family business too is different. What differs them even more from each other is the role and attitude of the owning family in the company. If family members are actively involved within the company, for example in executive positions, decisions regarding anything even M&A can me made swiftly. However, if they are not involved in any operational activity, the process may resemble that of a non-family business. Flexibility and low hierarchy are highlighted as positive attributes during acquisition negotiations, making contracts and other legal issues easier to reconcile. Potential drawbacks as an acquiring family company were also recognized. Over-optimism towards the future and withholding information within the family were named as key features that could harm the acquisition process.

To summarize, figure nine gathers the synthesis of theory and empirical findings of this study. Whereas every M&A process is a different, some generic strengths and weaknesses of family company as an acquirer were discovered. Strengths include low hierarchy, flexibility and trustworthiness. Over-optimism, misjudgement and the avoidance of external help were named as possible weaknesses. While negotiations with another family company may progress more effortlessly and swiftly, no evidence was found that a family company would seek especially other family companies when making acquisition decisions.

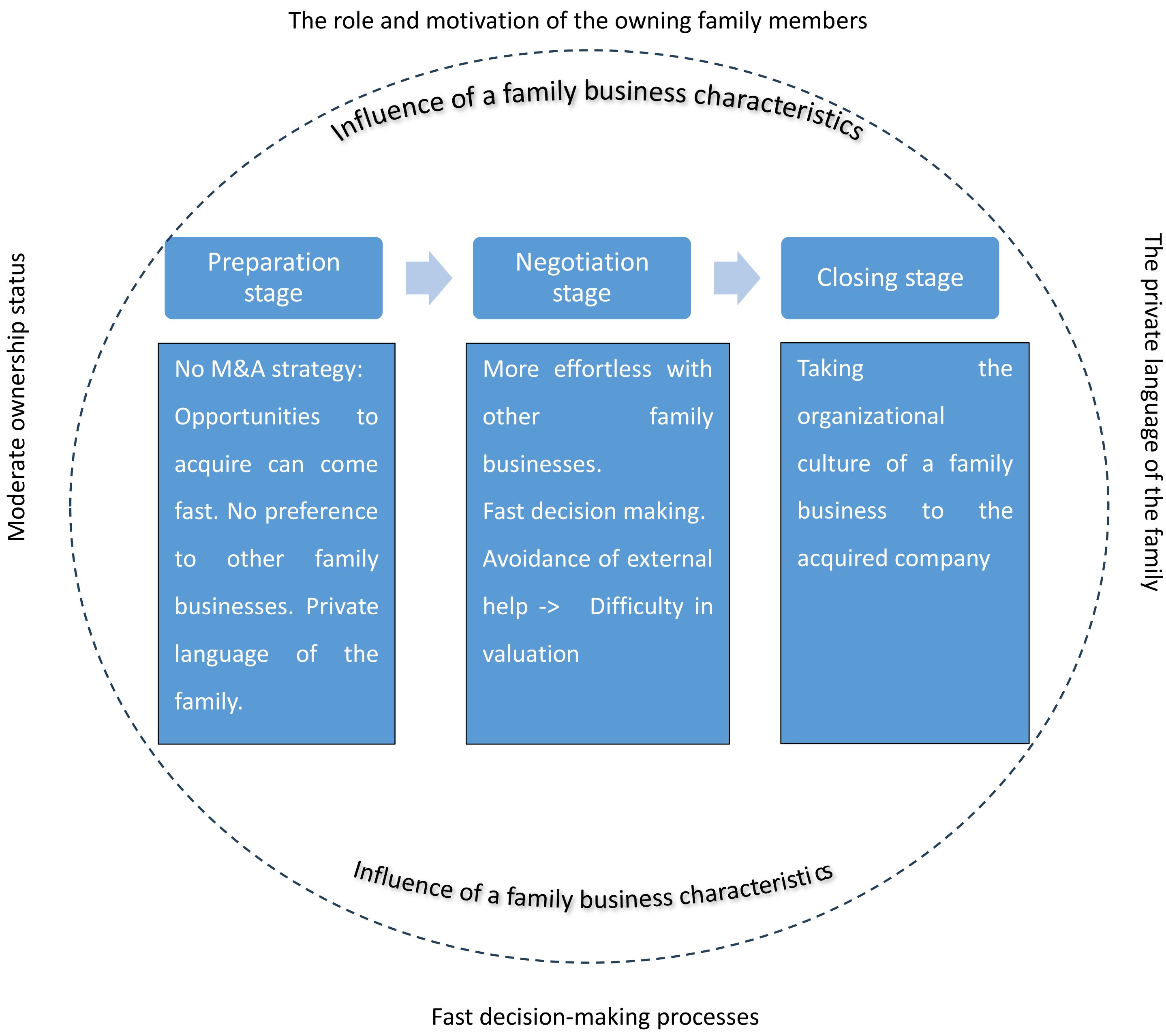

Figure 9 Revised theoretical framework

5 Discussion

5.1 Theoretical implications

The study revealed that the role of the owners of the family business is a significant factor that effects the operational activities of the company, in which mergers and acquisitions reckon among. This is agreed by Raithatha & Laikani (2022) who in their study state that family firms are more risk-averse and thus, are more likely to avoid mergers and acquisitions. However, having an external CEO in the family company can make the family company more likely to take part in M&A transactions. Specifically, if the CEO and the chairperson are not the same person. In addition to this, Raithatha & Laikani highlight the fact that certain board characteristics can moderate the family company's inhibition towards acquisitions. This study has highlighted the role of the family members in a family company and the research of Raithatha & Laikani (2022) agree with it. Additionally, the risk-averting characteristic of a family business was also discussed and discovered in this study. Family company's preference for preserving the existing resources of it and their SEW makes the family company less eager in search of acquisition opportunities since it can lead to hiring of external talent or dilute the family's control of the business (Gomez-Mejia et al. 2010).

The findings of this study highlighted the meaning of trust in M&A negotiations and that trustworthiness is one of the key characteristics of a family business. According to Fukuyama (1995), family businesses tend to rely more on trust when building and sustaining long-term relationships with managers, customers, suppliers, personnel, and other stakeholders than non-family businesses. Hence, trust is seen a positive aspect in business and in life in general. Siciliano et al. (2022) agree and extend the impact and effect of trust furthermore. They state that trust is positively associated with M&A quality. Compared to non-family businesses, family businesses are less likely to encounter agency problems relating to separation of ownership and control and thus, are expected to do better quality acquisitions and more easily find the synergies between the two parties (Siciliano et al. 2022). High trust is more likely to facilitate a successful integration of two parties' operations. Synergy is essential for the success of the M&A and a key indicator of the quality of it (Steigenberger 2016). To summarize the findings of the Siciliano et al. (2022), the association between M&A quality and trust, is more positively associated with family businesses than for non- family businesses. The reputation of trustworthiness and loyalty is important for a family business, which both interviewees agree on. Although this can be characterized as a family business attribute, awareness and common sense is always need. Fast decision-making process can be the company's strength or a weakness. Rapidly made decisions can have unforeseen consequences.

As stated by the interviewees of this research, the synergies that are being acquired in the acquisition is one of the most important factors in an acquisition. The main objective is to acquire something that you do not have but someone else has. The absolute value that is acquired in acquisition is the synergistic combination of an acquirer and the target company. As Feldman & Hernandez (2022) propose in their research, the assets of two different companies tend to be more valuable together than they would be in their own separate companies. However, they also state that these synergies do not occur automatically. They must be harnessed and managed the right way and find out, what outcomes of the acquisition are synergies and what are overlaps or double resources (Feldman & Hernandez 2022). This is the stage where the company is now and this stage is far more challenging than the M&A process altogether.

As this study confirms some of the current academic literature, it also challenges them. The findings of this study extend the current literature (Tagiuri & Davis 1996) by highlighting the influence of the private language of the owning members of a family business. According to this study, the private language can happen in acquisition negotiations between two family businesses and can even influence the valuation of the target company. Tagiuri & Davis (1996) admit that having a private language in a family company can fasten decision-making, but as this study confirms, it can influence to other business aspects as well.

This study also stresses the importance of the roles of the owning family members when planning an acquisition in a family company. The current literature (Miller et al. 2010; LaPorta et al. 2018) states that family businesses make fewer and different types of acquisitions than non-family owned businesses. The loss-aversion reputation is also often mentioned in the literature when discussing family companies (Hussinger & Issah 2019). However, as the findings of this study shows, the owning family members have a great influence whether a family company is active on acquisitions or not. The transgenerationality of a family business insists growth and investments. This study shows that a family company can also be active in acquisitions, if the owning family is invested in the company, actively involved in the operational activities and have the motivation and desire to preserve the company to the future generations.

5.2 Managerial implications

Due to this research being a case study about a Finnish family business and its acquisition process, no universal managerial implications can be drawn from this since the topic of the research is not suitable for uses and not comparable to other business or ownership types. However, some implications for managers can be found in the research.

Managers who are involved in a M&A process of a family company should promote communication and transparency throughout the process. The secrecy and concealing of information during an acquisition process can have dire consequences. Managers should be active towards the family owners in order to obtain timely information about the ongoing acquisition. This will eventually lead to better M&A processes and communication culture in the company.

The strategy work of a family company is often neglected. This would be something that managers should promote and try to encourage family business owners to do. The absence of a strategy is not life threatening, but its existence would enhance the company's operations in the long run. Ensuring that acquisitions support the sustainable growth aspect of a family business and also appreciates the values of the company is a win-win situation for the company. This would also help to monitor the quality of the acquisitions made by the company. How they would complement and enhance the company's core objectives mentioned in for example in a M&A strategy.

5.3 Limitations and avenues for future research

This thesis has specific limitations. Although the study discusses a great deal of M&A's in general, there are limitations to this study that must be clarified. First, this study focuses only on acquisitions, not mergers. The term M&A is used differently in Finland and there are two different contexts for mergers and acquisitions. Secondly, the aim of the case company of this study is to grow organically and through acquisitions. At least in the foreseeable future, a merger with another company is not seen possible. Thirdly, due to the individuality of the subject and the individual nature of family businesses, every family business has a unique operating model and different ownership structures and therefore, no flawless conclusions should be drawn from this research. fourth, this research answered to a gap in the academic literature and articles from this topic should be published more to gain a more comprehensive understanding of the topic. And fifth, due to the nature of the research only two interviewees were selected to secure the authenticity of the research. Unfortunately, one of the original interviewees passed away during the research process and the research method and interviewees had to be altered during the research. Substitute interviewee was found, and the research was completed despite the mandatory changes.

For future research, there are many alternatives that could be studied regarding this matter. First, what was mentioned earlier in this thesis is the harnessing of the synergies after a family business has completed an acquisition. Does it differ somehow from a non-family business and how the organizational culture of a family business can be carried out into the acquired organization. Second, a family business from the selling party of the acquisition could be interviewed as well. How does the selling party come to a decision to sell their lifework and what repercussions does it have on the personnel, organization and change all in all. Third, this study examined a case company where the owning family are all involved in the operational activities. Research could be made in a company where this is not the case.

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Appendices

Appendix 1. Interview questions

Background questions

-Who are you, what is your position at the company and how long have you been in your current position?

-Tell me about your professional background.

Family business

-What kind of thoughts does family business attract in you?

-What are the family business characteristics in your own words?

-Can these characteristics be perceived at this company?

-Have you been working in other family businesses as well?

-Do you think that the mentioned characteristics apply in every family business?

M&A

-What is your history in M&A's?

-How have you been involved in the M&A processes at this company?

- Tell me about the nature of the M&A's in the company
    - Where does the idea come from?
    - Who are involved in the process?
    - At which point were the target company responsible persons contacted?
    - How did the negotiations undergo and how long did they take?

-Does the company have a M&A strategy?

-Who makes the M&A decisions?

-What kind of acquisitions does this company make (horizontal, vertical etc.)?

-According to naturally occurring material, the company has made a significant number of acquisitions in the last decade as well as this decade. What are the objectives and motives behind acquisitions?

- Are there some kind of “lessons learned” from previous acquisitions that have been used in the next ones?

M&A and family business

-In your own experience, does the M&A process of a family firm differ from non-family firm? If yes, how?

-What are the certain factors of a family business that influence in acquisition process?

-Do these factors affect positively or negatively?

-Can these factors only be seen when negotiating with another family business?

-Does the company seek especially other family businesses to acquire?

-Is it more common for a family business to acquire another family business?

-Is it more difficult to be the acquiring party as a family business?

-What are strengths and weaknesses as an acquiring family business?

Open discussion about the topic if needed/wanted