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**Cross-border post-acquisition integration
management: Case study of a manufacturing
company.**

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ABSTRACT:

International mergers and acquisitions (M&A) have become increasingly more popular over the last few decades. They offer a rapid way of entering new markets and have proved to increase the efficiency of operations. The post-acquisition integration (PMI) phase has been stated to be one of the most important stages in the M&A process. Many companies fail to create value through M&As as many face issues in the integration phase or the integration is not done properly. Therefore, this master's thesis conducts a case study on planning and managing cross-border integration and aims to provide empirical data on the complex M&A phase as well as present a preliminary integration plan for the case company. This thesis reviews relevant literature in order to provide understanding on the complex construct, the several aspects that affect the integration process and on different integration mechanisms. Empirical evidence is collected through a questionnaire aimed at the acquiring and acquired company. The objective of the questionnaire is to collect data on the current state of the company and the thoughts of how the integration should be carried out. The main areas studied are motives and risks, planning, integration mechanisms and performance measurement. The findings highlight that most of the empirical evidence is in line with current theory and the preliminary plan is concluded.

KEYWORDS: Cross-border acquisition, post-acquisition integration, planning integration, managing integration, Finland, Sweden

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TIIVISTELMÄ:

Viime vuosikymmenien aikana kansainväliset fuusiot ja yritysostot ovat kasvattaneet suosiotaan merkittävästi. Nämä mahdollistavat nopean pääsyn uusille markkinoille ja ovat lisänneet toiminnan tehokkuutta monilla yrityksillä. Hankinnan jälkeinen integraatio (PMI) -vaihe on todettu yhdeksi tärkeimmistä vaiheista yrityskauppaprosessissa. Monet yritykset kuitenkin epäonnistuvat luomaan arvoa yritysjärjestelyillä, sillä useat kohtaavat ongelmia integraatiovaiheessa tai integraatiota ei johdeta ja hallita suunnitellusti. Näistä syistä tämä pro gradu -tutkielma toteuttaa tapaustutkimuksen rajat ylittävän integraation suunnittelusta ja hallinnasta, ja pyrkii tarjoamaan empiiristä tietoa monimutkaisesta yritysjärjestelyvaiheesta sekä esittelemään tapausyritykselle alustavan integraatiosuunnitelman. Tämä tutkielma käy läpi relevanttia kirjallisuutta lisätäkseen ymmärrystä integraatioprosessin monimutkaisesta rakenteesta, useista integraatioprosessiin vaikuttavista näkökohdista ja erilaisista integraatiomekanismeista. Empiirinen näyttö kerätään hankkivalle ja hankittavalle yritykselle suunnatulla kyselylomakkeella. Kyselyn tavoitteena on kerätä tietoa yrityksen nykytilasta ja ajatuksista siitä, miten integraatio tulisi toteuttaa. Tärkeimmät tutkittavat osa-alueet ovat motiivit, riskit, suunnittelu, integraatiomekanismit ja suorituskyvyn mittaaminen. Tulokset korostavat sitä, että suurin osa empiirisestä datasta on nykyisen teorian mukaista. Alustava integraatiosuunnitelma luodaan tulosten pohjalta ja se on esitetty johtopäätöksessä.

AVAINSANAT: Cross-border acquisition, post-acquisition integration, planning integration, managing integration, Finland, Sweden

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1 Introduction

This chapter aims to introduce the topic of this master's thesis by firstly defining the background, purpose and research gap of the study. These are supported by providing and introducing relevant information of the existing data and trends of the topic in question. Thereafter, the research questions of the study are formulated and the aims and objectives are provided. Furthermore, the delimitations of the study are discussed. Lastly, the relevant definitions and the structure of the thesis is provided.

1.1 Background of the study

International Mergers and acquisitions (M&A) are becoming increasingly popular amongst companies looking to grow their businesses. M&A as a foreign market entry strategy offers a more rapid way to enter a new market than other methods such as franchising, joint ventures and strategic alliances. It is also preferred due to the increase in operations' efficiency. (Schade, 2013, p. 1).

The vast popularity can be seen from the statistics of M&As. The amount of deals made around the world annually is over 60 000 and the value of these deals are trillions of dollars. A record year in the early 2000s was seen in 2007 when the total dollar amount was \$3.73 trillion (Angwin, 2015, p. 1). However, according to a report by PwC (2022), new all-time highs were seen in 2021, when the total value of deals was \$5.1 trillion and there were a total of 62 000 deals made globally. This uptrend was seen due to the high demand for technology as well as digital and data assets (PwC, 2022). Angwin (2015) argues that the volume in M&As increases and decreases in waves. The volume usually goes up when the economy goes up and vice versa (Angwin, 2015, p. 1). This uptrend can be also seen in Finland and in the nordic countries. According to a report by PwC (2021), more deals were made in 2020 than what was forecasted and they were done in a more faster pace than expected.

Different companies have different antecedents for M&As, however, the core aims of M&A is to create value for shareholders. Creating value means increasing the value of a company. Therefore, the main objective should be to have an outcome where the merged businesses provide more value than what the value of the two companies would be separately. (Miller & Segall, 2017, p. 1-8).

Eventhough shareholder value creation is the ultimate goal of M&As, there usually is a more specific way of how companies can create this value. In other words, what are the motives for the M&A and the objectives a company seeks to reach. First one is *economies of scale*, where a company seeks to lower their manufacturing costs or remove redundancies. Second is *time to market*, where the buyer is looking for a faster or cheaper way to enter a market by purchasing for example a ready product line or technology. Next is *combination of customer and supplier* in which a company buys a supplier or the other way around in order to decrease the risks involved in an outside supplier. Fourth is *product line diversification*, which is rather self-explanatory. The fifth reason is *defensive acquisitions*, what is used when a company is predicting a downturn in its business and an acquisition would relieve this. Sixth is *new and better management*, where the acquirer thinks it can increase the value of a company by changing the management. The last one is *acquisition of a control premium*, where the acquirer thinks the value of a publicly traded company is being mispriced and therefore bids higher than the current market price in order to gain a controlling share in a company. (Miller & Segall, 2017, p. 10-11)

1.2 Research gap

The study of cross-border mergers and acquisitions is a rapidly growing area in management research. However, there is still a large research gap in understanding the theoretical basis of effective M&A integration. Furthermore, the majority of research done regarding M&As have studied domestic M&As and only a little have focused solely on cross-border M&As. (Shimizu et al., 2004).

It has been extensively recognized that the post-acquisition integration phase is a critical part of the M&A process. It is also the main source for value creation. However, many business strategists tend to disregard this phase and instead focus on other motivations and strategies that have led to an M&A. (Angwin & Meadows, 2015; Halebian et al., 2009). The studies that have focused on post-acquisition integration strategies have been conceptual, are based on limited case data or have focused on only one integration strategy (Angwin & Meadows, 2015).

There are many different approaches to M&A research. In empirical research these can be categorized into two main approaches which are event studies and outcome studies. Event studies are mainly used in finance whereas outcome studies are more common in industrial organization research. Outcome studies are used to measure the effect on performance of M&As. These studies usually compare the pre- and post-acquisition performances. (Das & Kapil, 2012, p.286).

Organizations experience vast changes due to M&As. There are usually quite high expectations on what an M&A can result in. However, many of these fail and do not create any shareholder value. (Koi-Akrofi, 2016, p. 150). Post-acquisition integration phase and its management is seen as a common reason for the failures (Wei & Glegg, 2020, p. 1). Wei and Glegg (2020) also argue that there is no satisfactory explanation why failures are so common. There is plenty of research done within the topic and there is a large amount of knowledge that has been produced through research, yet there is no explanation on an approximately 50% failure rate. (Das & Kapil, 2012; Koi-Akrofi, 2016). Cartwright and Schoenberg (2006) have listed three possible reasons for the constant high failure rate. Firstly, executives make acquisition decisions that are driven by non-value maximizing motives. For example, managers promote their own interest in decision making rather than the shareholders'. A second possible reason was that practitioners do not get the insights of M&A research. However, this was seen unlikely as many researchers are active in education and development programmes. Lastly, the existing research was criticized

to be incomplete and there is a need of change in M&A theory and research methods. (Cartwright & Schoenberg, 2006, p. 54).

Shimizu et al. (2004) highlighted the major research gaps in cross-border M&A, which include the lack of empirical evidence on the mechanisms driving post-acquisition integration, as well as the factors affecting the success of these integrations. In addition, the authors argue that much of the existing research fails to identify the causal link between the various theories and their implications regarding acquisition implementation. Finally, the authors also highlighted the need for further research aimed at providing a better understanding of the role that different countries' cultural characteristics play in the M&A process, as this should ultimately influence post-acquisition integration. Angwin & Meadows (2015) argued that there is a need for further research on effective integration and implementation. They stated that post-acquisition typologies need more empirical evidence.

1.3 Research question and objectives

The main aim of this thesis is to explore the management of post-acquisition integration by the acquiring company. Other aims are to research different post-acquisition integration mechanisms and provide empirical data on the complex M&A phase as well as present a preliminary integration plan for the case company. This is done by reviewing relevant literature in order to provide understanding on the complex construct, the several aspects that affect the integration process and on the different integration mechanisms. Empirical evidence is collected from both the acquiring and acquired company through a qualitative questionnaire. The preliminary integration plan is concluded by cross-analysing the theoretical literature and the results of the questionnaire.

Considering the aims of this thesis, the main research question is formulated as follows:

- *How does an acquiring company manage post-acquisition integration?*

The research question is further broken down into the following two sub-questions to better understand the main research question:

- *What are the most suitable integration mechanisms for the case company?*
- *How can the selected integration mechanism be implemented?*

In order to answer these questions, the objectives of the study are set up as follows:

- Literature review of integration mechanisms in order to understand the process and reasons for different choices.
- Understanding critical factors that can risk the success of an integration such as culture, communication and poor integration strategy.
- Researching the different aspects that need to be considered in planning integration as well as performance measurement.
- Analysing the case company's current state and finding the most suitable integration mechanism.
- Drafting a preliminary plan based on results.

1.4 Delimitations of the study

Delimitations of the study are provided in order to acknowledge the boundaries for the research. Firstly, there are geographical limitations which means that study will focus on a Finnish company that has acquired a company from Sweden. Due to the nature of a case study it has to focus on the geographical areas of which the case company operates.

The sample size of this study will also be a limitation. As the plan is to use qualitative research methods in a small time frame and because the potential respondents is limited to the case company's executives and managerial personnel, the sample size will not be very large. Additionally, due to researching only within the case company, the results are

not reliable in any other firm. Furthermore, the results cannot be generalized to a larger population.

Lastly, there are threats to the reliability of the study as it is qualitative in nature. Saunders, Lewis and Thornhill (2007) argue that there are four different threats to research and they are: subject or participant error, subject or participant bias, observer error and observer bias. These threats have risen because qualitative research is based on an individual's acknowledgements and their perception. Therefore it cannot be said that another researcher would get the same results and this is a limitation to the study. (Saunders, Lewis & Thornhill, 2007).

1.5 Definitions of key concepts

In this section the key concepts of this thesis are defined in order to help the reader to understand what is presented. These key terms were selected as they are essential to the study.

- **Mergers and acquisitions**

A type of transaction that leads to a change of control in an organization. Generally for acquisitions this means purchasing a majority stake of the target company and for mergers it means creating a new company by combining two organizations. (Angwin, 2015).

- **Cross-border acquisition**

Acquisitions involving an acquirer company and a target company whose headquarters are located in different countries. (Shimizu, Hitt, Vaidyanath & Pisano, 2004, p. 309).

- **Integration**

The process of integrating various organizational operations and culture of two companies together with the aim of becoming more efficient. (Davis, 2012, p. 21).

- **Integration approach**

The plan of how synergies in post-acquisition integration can be accomplished and what are the levels of strategic interdependence and organizational autonomy. (Angwin & Meadows, 2015, p. 2).

- **Focus of integration**

The key areas of the merging companies that will need to be integrated and how the integration of these should be done. (Forman & Frankel, 2017).

- **Level of integration**

The extent to which an organization's technical, administrative and cultural configuration changes during the integration. (Pablo, 1994).

- **Speed of integration**

The length of time that the two organizations' resources are disrupted during integration. (Cording, Christmann & King, 2008).

1.6 Structure of the thesis

This section presents the structure of the study by summarizing the different chapters of this thesis.

- **Introduction**

The first chapter introduces the reader to the topic in question through current data, the case description, research gap and objectives and aims of the study as well as definitions of the key concepts.

- **Theoretical framework**

The theoretical settings of the study is formed by reviewing literature on the three main aspects of the study which are mergers & acquisitions, post-acquisition integration and planning integration and measuring performance. Lastly, a model for planning and managing post-acquisition integration is presented.

- Research methodology

In the third chapter the methodology used in this thesis is presented. This chapter covers the research philosophy and approach, design of the study, how data was collected and what the sample size was, how data was analysed and concerns with reliability and validity were discussed.

- Results and analysis

The fourth chapter presents the results objectively as they are and provides analysis on them. The results are also summarized in tables in order to give the reader the ability to revisit the results in a summarized manner.

- Conclusion and practical implications

The final chapter discusses the main findings with comparison to the theoretical framework of this study as well as concludes the findings to the research questions. This section also provides theoretical and managerial implications as well as limitations and suggestions for future research.

2 Theoretical framework

This chapter presents the theoretical framework for the thesis. It firstly introduces mergers and acquisitions as it is the entry mode the case company has chosen to internationalize with. The first part also goes over the different types of M&As, motives for M&As and the risks included. This is followed by examining the theory of post-acquisition integration and the different parts to it which are the approach, focus, level, speed and socio-cultural. Finally, it discusses the key themes in planning post-acquisition integration and covers the measurement of M&A success.

2.1 Mergers and Acquisitions

The ever-growing globalization of the business environment has led companies of all sizes to expand their operations internationally, through a number of means, including M&As. The usage of cross-border merger and acquisitions as a strategic expansion method has increased dramatically over the last few decades and has become an important option for companies globally. (Sherman, 2010). M&As are complicated processes that require preparation, analysis and consideration. Various stakeholders, such as workers, employers and government agencies may be affected by the conduct of a merger or acquisition. All parties and their requirements should be considered to avoid potential complications before finalizing the transaction. (Soofi & Zhang, 2014).

Merger and acquisition as terms are often mixed up or used as synonyms. However, it is important to distinguish the differences between these two. A merger can be defined as a combination of two or more companies where the buying firm absorbs the selling firm's assets and liabilities. An acquisition on the other hand can be defined as a purchase of asset, division or a whole company. (Sherman, 2010). The end result of both activities is usually quite similar where two or more companies have operated under their individual ownerships and afterwards they operate under one ownership. However, the impact on strategic, financial and cultural aspects can be quite different between the

two. (Sherman, 2010). According to Soofi & Zhang (2014), a merger is any type of transaction that forms one company by two or more independent companies. They also identify that in mergers one of the companies absorbs all assets and liabilities of the other companies. Moreover, mergers have usually two characteristics that are present in the transaction. Firstly, mergers are negotiated deals and they have specific technical and legal requirements. The second characteristic is that they are often friendly, however, one company might be in a stronger position and dominate the transaction. (Soofi & Zhang, 2014).

There are various reasons for why a company might choose M&As as an expansion method. Fundamentally the reason for merging or acquiring is achieving certain goals that a company has which usually for private enterprises is profit maximization. (Soofi & Zhang, 2014). M&As are also a highly popular method as they are seen as the most effective way for entering a new market, expanding product portfolio or increasing the company's distribution reach. (Sherman, 2010)

The trends of an industry affects the decision making process of M&As in many cases. These trends can be for example rapidly changing technology, high level of competition, the changes in consumer preferences, controlling costs and a decrease in demand. In some cases, companies want to transform their identity. For example a company might acquire a brand that is known for its high quality products or customer service in order to benefit from this reputation. (Sherman, 2010)

Many deals are motivated by the need to manage risks and therefore, spread the cost and risks of research and development. Buying brand loyalty and customer relationships is also seen as a less expensive than creating them especially in new markets. Sometimes there is a competitive necessity for acquiring companies. This kind of a situation might occur when a company is put up for sale and potential buyers have to evaluate whether it is better to acquire the company or let a competitor buy it. Lastly, companies can merge in order to stay in business and not go bankrupt. (Sherman, 2010).

2.1.1 Types of mergers

Mergers and acquisitions can be classified as corporate restructuring activities. Corporate restructuring can be furthermore divided into two categories which are operational and financial. Operational restructuring means changing the asset structure of a company. Changing the structure is usually done by acquiring companies, product lines or reducing the amount of unprofitable operations. (Soofi & Zhang, 2014)

Mergers and acquisitions are typically categorized to three different types which are horizontal, vertical and conglomerate. A horizontal merger occurs when two competitors combine. These kind of combinations are typically formed by companies with similar industry processes. For example, two car manufacturing companies might merge and this would be a horizontal merger. In some cases a horizontal merger can cause a large increase in market power which leads to anticompetitive effects. In a case like this the merger can be opposed on antitrust grounds. In the U.S. these kind of horizontal mergers have usually gone unopposed, however, during the Barack Obama administration the standpoint was slightly toughened. In Europe, the European Commission has been more cautious when mergers that might have anticompetitive effects have been encountered. (Gaughan, 2015; Soofi & Zhang, 2014).

In vertical mergers the companies involved have the relationship of buyer and seller. In these types of mergers companies are in different stages of producing and distributing a product or service. For example, a supplier of raw materials might buy a manufacturing company or a manufacturing company could acquire a known brand or retail chain. (Gaughan, 2015; Soofi & Zhang, 2014). According to Beck & Scott Morton (2021), vertical mergers have been commonly seen as procompetitive or neutral and therefore, there has not been regulations towards them. However, recent studies have shown that vertical mergers can have anticompetitive effects and this should be taken into consideration by policy makers. (Beck & Scott Morton, 2021) .

Conglomerate mergers take place when the companies do not have a buyer-seller relationship and are not competitors. In conglomerate M&As the companies are from completely different industries. For example, a car manufacturer acquiring a retail store. These types of mergers are usually done due to the objective of creating shareholder value through the diversification of product or service portfolio. (Gaughan, 2015; Soofi & Zhang, 2014).

2.1.2 Motives for Cross-border M&As

The popularity of cross-border M&As has increased rapidly ever since the 1990s. The main reasons for this has been the development of technology and globalization. Other significant factors have been the consolidation and privatization of industries as well as the liberalization of economies. Using M&As, the acquiring company can obtain their knowledge base, technology and other resources. Furthermore, it gives them access to the market and key districts at a local level. (Shimizu et al., 2004)

According to Shimizu et al. (2004), the choice of M&As are typically influenced by firm-, industry- and country-level factors. Firm-level factors include multinational experience, product diversity, internal isomorphism and international strategy. The industry-level factors involve the intensiveness of technology, advertising and sales force. Lastly, country-level factors consist of market growth in the target country, the differences and similarities in culture between the home and target countries as well as the specific culture of the acquiring company's home country. (Shimizu et al., 2004).

The likelihood of entering a foreign market via M&As has been found by some scholars to increase due to industry- and country-level factors such as high or low rate of market growth (Brouthers & Brouthers, 2000; Hennart & Reddy, 1997), similar cultures between the home and target country and having a low uncertainty avoidance in the home country (Kogut & Singh, 1998). Additionally, regarding firm-level, some researches have positively associated factors such as product diversification (Brouthers & Brouthers, 2000),

international experience (Harzing, 2002) and the relative size of investment (Brouthers & Brouthers, 2000; Kogut & Singh, 1988) to increase the likelihood of M&As. However, there has been mixed results from some researchers. Product diversification (Barkema & Vermeulen, 1998) and international experience (Barkema & Vermeulen, 1998; Brouthers & Brouthers, 2000) were found to be positively associated with greenfield investments. In addition, Kogut & Singh (1998), argued that the factors mentioned above did not have an effect on choosing an entry mode.

According to Nguyen et al. (2012), the motives for M&As can be categorized into value-increasing and non-value increasing. In value-increasing M&As the value is created through synergies which means combining physical operations. The motives for these types of M&As include economies of scale, increased market power, financial synergy, taxes, response to industry shocks and combining the knowledge from both companies. Non-value-increasing motives for M&As on the other hand include agency, hubris and market timing. Agency problems can be for example, managers consuming benefits at the expense of the shareholders, promoting personal interest or reducing risk to human capital by diversifying. Hubris or arrogance results in overpaying for targets and there is usually no synergy between the companies. Market timing usually leads to a decreasing value when an overvalued company uses stocks to acquire an undervalued company. Even though there are multiple motives for M&As, the majority of companies usually have more than one motive. (Nguyen et al., 2012).

Soofi & Zhang (2014) argue that in order to create value, companies try to capture operating synergy and financial synergy. Operating synergy is created by economies of scale and economies of scope. In economies of scale, the company seeks to lower the average cost of production in the long run. Economies of scope on the other hand occurs when the acquired company produces similar products and uses similar inputs in production. (Soofi & Zhang, 2014).

Financial synergies are achieved when the cost of capital of the acquiring company is decreased after the acquisition of another company. These synergies can be a result of diversification, strategic realignment, managerial hubris, mismanagement, acquiring undervalued companies, taxes and market power. (Soofi & Zhang, 2014).

2.1.3 Cross-border M&A risks

There are several risks involved in cross-border M&As. It is important to acknowledge the different risks in order to have a successful merger and avoid pitfalls. Soofi & Zhang (2014), have classified six common risks associated with foreign direct investments. Firstly, there is a management risk involved with M&As. A newly acquired company requires some sort of new management at a certain level from the acquiring company. This usually means that the existing high-level managers of the acquired company are combined with the managers of the acquiring company. The national and organizational cultural differences between the people involved create the risk of a new successful management. This risk is specifically important to acknowledge as it is associated with the failure of the post-acquisition integration phase. (Soofi & Zhang, 2014).

The second risk is legal liabilities of the target company's country especially when the two legal systems vary largely. In some countries the legal system is based on common law, where as in others it is based on civil law. Legal systems can create risks when the company faces legal disputes. In addition, it is important to acknowledge how the laws of a country are enforced. For example, intellectual property laws might not be enforced similarly in the acquired company's country as they are in the acquiring company's home country. (Soofi & Zhang, 2014).

Related to legal risks, there are taxation risks involved with cross-border M&As. Different countries have different tax policies and systems. Various tax incentives, holidays and rebates can be different between industries and localities. These aspects should be taken into consideration as they might create risks. (Soofi & Zhang, 2014).

The distribution of products can also pose some risks as the enforcement of contracts can vary between countries. For example, the distributor of the products must have the ability to market the products correctly so that the industry standards and terms of contract are met. The norms of these sort of procedures vary from country to country and the acquiring company needs to understand them and make sure that the distributors are reliable. (Soofi & Zhang, 2014).

The next risk concerns foreign exchange and repatriation. Fluctuating foreign exchange rates is an important factor to take into consideration. The depreciation of currency poses risks when a company has accounts receivable denominated in a foreign currency. The risks are even higher when a company has accounts payable denominated in a foreign currency. In addition, the repatriation of financial assets can be risky due to the host country's depreciation of currency. (Soofi & Zhang, 2014).

Finally, an aspect that can cause risks are potential political changes. A company can lose assets or not meet the expected profits due to political decisions, conditions or events of the acquired company's country. (Soofi & Zhang, 2014).

2.2 Post-acquisition integration

Post-acquisition integration is the process of integrating the assets of a company that has been acquired by another. This process can be challenging for both the company being acquired and the acquiring company, as there are a number of factors that need to be considered for a successful integration to take place. The post-acquisition integration phase which is also known as the post-merger integration (PMI) is considered to be a crucial part to the whole acquisition process. (Schade, 2013, p. 11).

Post-acquisition integration has been conceptualized and measured in various ways by scholars (Grabner, Heimeriks, Huy & Vaara, 2017). Some researchers have argued that PMI is a set of actions such as changes in organizational structures and systems,

arrangements of functional activity and combining cultures (Pablo, 1994). Similar to this, Cording et al. (2008) argued that it is the managerial actions that combine the two formerly separate companies. PMI is also seen by some scholars as the end state or outcome where the operations of the acquiring company and the acquired company have been standardized (Vaara, Sarala, Stahl & Björkman, 2012), the functions and activities of the companies involved are physically combined (Heimeriks, Schijven & Gates, 2012) or where the acquired company stops functioning on its own and is absorbed into the acquiring company (Puranam, Singh & Zollo, 2006).

Post-acquisition integration has two important characteristics. Firstly, integration consists of various sub-processes. These processes include the creation of value through strategic integration of operations and resources as well as the involvement of cultural and social issues. In order to manage integration effectively, every sub-process should be handled and managed as individual tasks as well as the dilemmas and paradoxes that emerge from these processes. Secondly, integration is a complex, ambiguous and contradictory process and it is dynamic in nature. Therefore, even when the process has been adequately planned, it will most likely involve unforeseen problems and phenomena that will change the process and the nature of it. (Grabner et al., 2017).

The PMI process is a crucial part of having a successful and value increasing merger. This phase typically introduces major challenges for the companies involved. According to Shimizu et al. (2004), the challenges can arise from differences in corporate culture as well as from the cultural and institutional distances between the two countries. When companies have to integrate the organizational and national cultures it is referred as double layered acculturation. The potential for challenges related to culture depends on the level of integration needed. Therefore, when great level of integration is needed, the coordination should be closer and the importance of cultural differences increases. In addition, when high levels of integration is required, the degree of cultural differences usually affect the shareholder value negatively. Moreover, the differences can affect the

cooperation of top management as negative attitudes towards the merger increase as the distance between cultures increase. (Shimizu et al., 2004).

Shimizu et al. (2004) have summed up the major findings in PMI research into the three most important insights on the topic. 1) The distance between cultures regarding the acquiring and the acquired company's home countries generate additional challenges in the post-acquisition integration phase. 2) The PMI process and the adopted control systems are key factors in the success of M&As and its performance. 3) The nationality of the acquiring company affects the preferences of what type of integration process and control systems are utilized. (Shimizu et al., 2004).

According to Soofi & Zhang (2014), there are three types of integration in the PMI process: procedural, physical and managerial. Procedural integration is the combination of operations, managerial control, strategic planning and procedures of the acquiring and acquired companies. In physical integration the aim is to share know-how and resources in combining product lines, production technologies, research and development, real estate assets and plants as well as equipment. Managerial and sociocultural integration includes the changes in structure of the organization, selection and transfer of managers and the development of corporate culture that assists the progress of achieving the goals of the company. This type of integration also involves motivating employees, gaining their commitment and establishing new corporate leadership. It is paramount to achieve these objectives in order to have a successful M&A. (Soofi & Zhang, 2014).

2.2.1 Integration approach

The integration approach defines how a company approaches a new acquisition and how different kind of synergies can be accomplished. There has been plenty of research considering the integration approach as it is seen as the strategy of integration. It defines how decisions should be made and generally the frameworks focus on two dimensions.

These two are the strategic interdependence and organizational autonomy. (Angwin & Meadows, 2015)

Strategic interdependence refers to the level of how interdependent the two or more companies are or should be regarding knowledge transfer and resource sharing. The level of interdependence determines whether the value of the merger is created through value capture or value creation. Value capture is seen as a one-time transaction where the value from the acquired company's shareholders and stakeholders is transferred to the acquiring company's shareholders. Value creation on the other hand is a long-term approach where the transfer of knowledge and resources create value that would not be there if the companies operated separately. (Angwin & Meadows, 2015).

Organizational autonomy refers to the degree of how much the acquired company's culture is maintained or dissolved. Maintaining organizational culture and autonomy is important as dissolving it too much can negatively affect the organization. (Angwin & Meadows, 2015). Puranam, Singh & Chauduri (2009) stated that the acquired company's processes and routines can be weakened by the lack of autonomy. Furthermore, Ranft & Lord (2002), argue that any company disruption can be minimized by maintaining organizational autonomy. In addition, this enables multiculturalism as the acquired company can continue with a different culture than what is the acquiring company's culture (Angwin & Meadows, 2015).

These two dimensions have created one of the most cited 2x2 frameworks for post-acquisition integration strategy (Angwin & Meadows, 2015). The framework by Haspeslagh & Jemison (1991) observes three distinct primary strategies: preservation, absorption and symbiotic. In the preservation strategy, the acquired company requires high levels of autonomy and a low levels of strategic interdependence in order to sustain the sources of benefit. Fundamentally this means that that the target company retains its decision making authority and continues operations fairly similar to what was before the merger. Furthermore, only essential resources are shared.

Absorption approach is the opposite to preservation where the acquired company requires low levels of autonomy and high levels of interdependence. In this case the organizations, operations and culture are fully incorporated and the boundaries between the companies involved are completely dissolved.

Lastly, symbiotic strategy is a combination of the previous two where the target company requires high levels of autonomy as well as high levels of strategic interdependence. In these cases there is typically an initial preservation phase and through time the two companies integrate the best procedures and operations of both. (Haspeslagh & Jemison, 1991).

Many scholars have argued that there are more than three approaches to post-acquisition integration (Angwin & Meadows, 2015). Nahavandi & Malekzadeh (1988) argued that there are four approaches: 1) "separation" which is similar to preservation, 2) "assimilation", similar to absorption, 3) "integration", comparable with symbiotic and 4) "deculturation" where the cultural and psychological connection are lost and there is no interest in integrating the two or more companies. Other researches such as Siehl & Smith (1990) and Marks & Mirvis (2001) have suggested their own typologies where the approaches have different names, however, the ideas behind them are similar to Haspelagh & Jemison's. Angwin & Meadows (2015) have summed up the different typologies which can be seen in figure 1. The shaded boxes demonstrate the coherence between different frameworks. The white box displays an under-researched part of typologies.

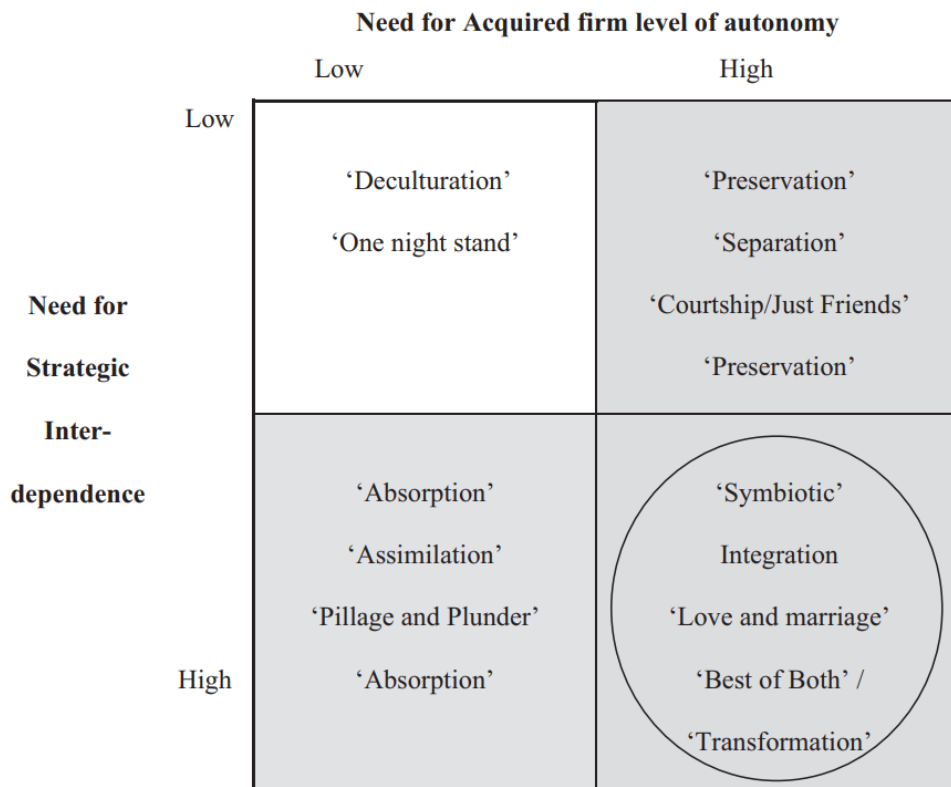


Figure 1. Coherence in post-acquisition integration styles (Angwin & Meadows, 2015, pp. 5)

Angwin & Meadows (2015) discussed the deculturation or one night stand approach in their work and according to them this approach is not in fact a passive holding approach but rather a case where the acquired company needs intensive care. Acquired companies that are in poor financial health need immediate and highly directive instructions. The speed of action is crucial as well as tight controls followed by high levels of change. The reason the approach has been seen as a holding one is because the acquiring companies have not really done any integration and have sold them after realizing that they do not make any profit. Furthermore, Angwin & Meadows (2015) found a fifth approach called the reorientation strategy where the acquiring company sees the target as being in great financial health. Other characteristics for the target company was that the employees are willing and enthusiastic of the merger, the company name and usually CEO would change, opportunities seen in marketing and sales, merging administrative areas but leaving other operations as they are and keeping the acquired

company's original resources. This approach was placed in the middle of the 2x2 framework as it has parts from all other approaches. The summary of these approaches by Angwin & Meadows (2015) can be seen from figure 2.

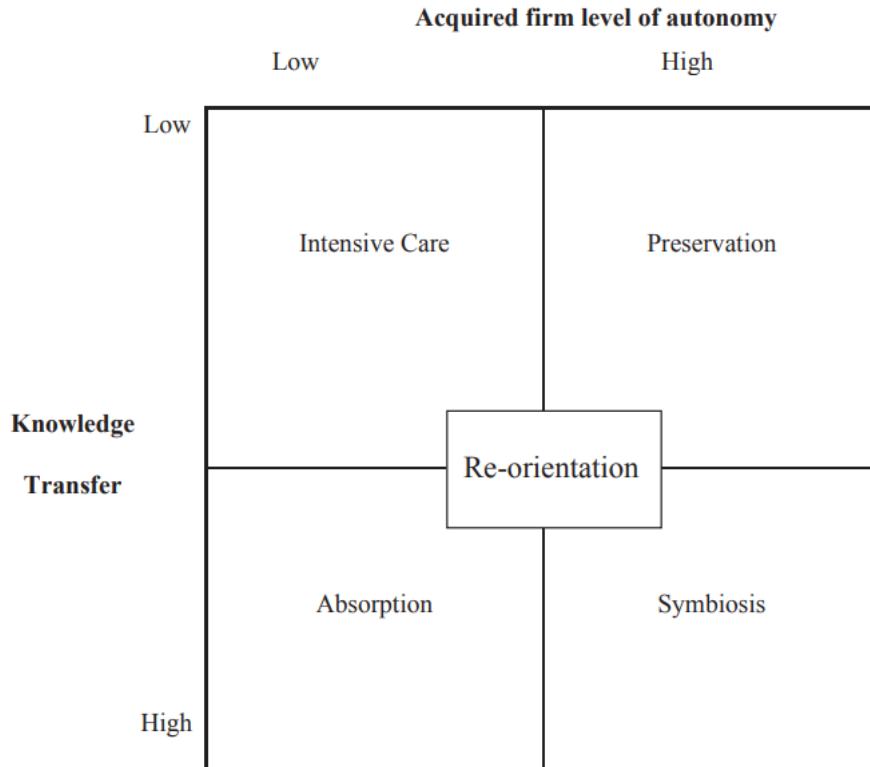


Figure 2. Five post-acquisition integration styles (Angwin & Meadows, 2015, pp. 14).

2.2.2 Focus of integration

The similarities and differences of the merging companies should be mapped out in order to identify what operations and procedures should be integrated. Understanding the key components and how operations and procedures are run in each company helps in deciding what areas should be integrated and what to not integrate. For example, when two companies use different software systems, it can be more cost effective to run the two platforms than to integrate the target company into the acquiring firm's systems. Furthermore, for the areas that are integrated, the merging companies should decide on

how to integrate, determine where there is redundancy and should the reduced elements be eliminated from the target company or the acquiring one. (Forman & Frankel, 2017)

One of the most important areas to consider integrating is human resources and people involved in the integration. Employees are one the key assets that both companies have. Therefore, this should be done as soon as possible in order to deal with uncertainty among the employees. There are several aspects to consider when planning staffing strategy such as requirements of personnel, the availability of employees, external recruitment needs, compensation and human resource information systems. (Forman & Frankel, 2017; Soofi & Zhang, 2014).

Integrating information and communication technologies (ICT) can generally have a slower pace than human resources, however, delaying this too much can have negative effects depending on approach and level of integration. Comparing and analysing the different systems of both companies is an important step in integrating ICT. Areas of concern are compatibility with other internal systems, security and reliability of these systems and scalability which can be beneficial or disadvantageous as it can create economies of scale but also increase costs. Furthermore, completely integrating all systems might not be feasible in cases of large organizations due to the costs, however, with smaller companies this might be an option. (Forman & Frankel, 2017; Soofi & Zhang, 2014).

The integration of financial operations involves reconstructing financial management and budgeting processes. The objective is to reduce costs by combining the merging firms' financial and accounting functions and creating synergies. Companies should control and combine financial and physical assets as well as intangible assets. (Soofi & Zhang, 2014).

Integrating supply chain management (SCM) between the merging companies usually depends on whether the merger is vertical or horizontal. In cases of vertical mergers there usually is no need for SCM integration as it already exists. In horizontal mergers this is usually not the case and careful planning of inventory levels, services, distribution and purchasing is required in order to create synergies. When integrating SCM it is important to include supply chain professionals in the planning to have a successful outcome. (Soofi & Zhang, 2014).

2.2.3 Level of integration

The level of integration refers to the degree of how fully the procedures and operations of an acquired firm are integrated. Pitkethly, Faulkner, & Child (2003) argued that the overall degree of integration as well as the degree of control and communication are crucial aspects in PMI. Integrating at an improper level can cause vast challenges and be harmful for performance. Under or over integrating is typically a result of cultural factors that postpone the integration or pressure to integrate too fast. (Pitkethly et al., 2003). According to Cording et al. (2008) the level of integration or integration depth refers to the degree of structural relationship change. The depth of the integration can be between minimal and complete and it is meant to increase the efficiency and effectiveness of the combined companies' resources. Minimal level of integration includes combining for example different systems and software whereas a higher level of integration refers to integrating larger operations such as production or whole marketing departments in order to achieve economies of scale or scope. (Cording et al., 2008).

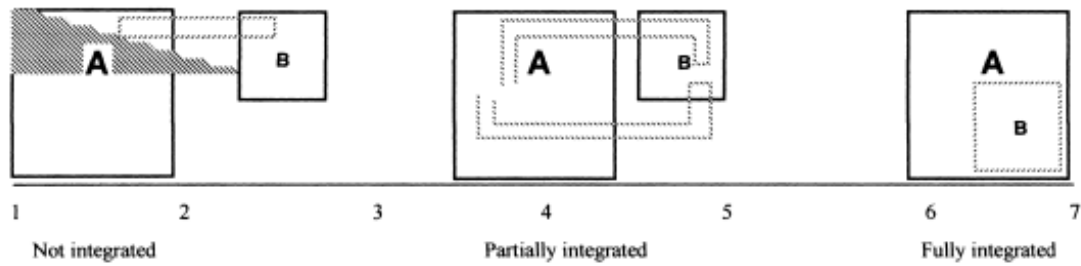


Figure 3. Spectrum of Integration. (Pitkethly et al., 2003, pp. 33)

Bauer & Matzler (2014) along with Cording et al. (2008) argued that when merging companies integrate similar units, a higher level of integration was positively correlated with M&A performance. Additionally, Bauer & Matzler (2014) found that when companies strategically complement one another, the level of integration increases. However, cultural similarity in customer service, quality, innovation and the strategic performance orientations had a reverse effect. This implies that cultural similarity can compensate for integration meaning that a lower level of integration is more appropriate with the areas mentioned when the merging companies have a similar culture in them. (Bauer & Matzler, 2014).

2.2.4 Speed of integration

The process of post-acquisition integration consists of at least two different phases: “the first 100 days” and “transfer of competences” (Savovic, 2012, pp. 199). The first phase begins directly after closing a deal on an acquisition. During the first 100 days the main objective is to create a friendly and supportive atmosphere as well as maintain any impulses from both companies. There is usually uncertainty among employees during the first phase. Therefore, it is important to mitigate the doubt and reassure the employees of the future in order to have them commit to the merger. (Savovic, 2012). The second phase begins when an appropriate atmosphere has been achieved. The new

company can then focus on transferring competences. The objective in the second phase create value by utilizing synergies. (Gates & Very, 2003).

According to Homburg & Bucerius (2006) speed of integration can be defined as the time period that is needed to completely integrate the planned systems, activities, structures and processes of the merging companies. A common research question among the topic has been whether the speed of integration is positively correlated with M&A performance. Homburg & Bucerius (2006) found in their empirical study that the speed of integration has a strong positive correlation with M&A performance when the merging companies' external relatedness is low and internal relatedness is high. However, in an opposite case the correlation is negative. (Homburg & Bucerius, 2006).

The speed of integration has been seen as key element in the success of M&As. However, there has been mixed results whether a faster integration is better than a more steady paced. Inkpen, Sundaram & Rockwood (2000) argued that speed of integration is a critical factor to PMI success. On the other hand, Ranft & Lord (2002) suggest that a slower integration is more beneficial as it can improve trust building between the employees of the merging companies.

2.2.5 Socio-cultural integration

Socio-cultural or managerial integration in the PMI process includes various human, social and cultural aspects as well as the issues of identity, trust and justice related to them (Graebner, Heimeriks, Huy & Vaara, 2017). While the majority of research related to answering questions about M&A success or failure have studied the physical and procedural integration, an emergent field of research has been studying the issues of socio-cultural and human resources. This uptrend of research focus has been a result of the inability to fully explain M&A success or failure by financial and strategic variables. (Stahl et al., 2013).

The role of culture has been widely featured in socio-cultural research and the focus has been on the “cultural distance hypothesis” (Stahl et al., 2013, pp. 335). This hypothesis assumes that when the cultural distance increases, the issues in coordination and communication between organizations increase as well. The hypothesis is typically used to understand cross-border M&A performance (Chakrabati, Gupta-Mukherjee & Jayaraman, 2009), the connection between PMI and post-acquisition performance (Slangen, 2006), the transfer of capability between the merging companies (Björkman, Stahl & Vaara, 2007) and how the employees of the acquired company response to mergers and acquisitions (Weber, Shenkar & Raveh, 1996).

The cultural issues between merging companies at an organizational level are often related to the differences in values and norms and on a country level the cultural distance between two nations is seen to have a negative effect on PMI. Due to the double-layered acculturation the task of achieving organizational fit, value creation, harmony and mutual understanding is seen difficult. Therefore, many scholars argue that similarities in culture both at national and organizational level ease the development of trust which is a crucial factor in transferring knowledge and post-acquisition succes. (Stahl et al., 2013). However, some scholars (e.g. Weber et al., 1996) have found that cultural differences can have a positive effect on M&A success. These results have been explained to be found because differences in culture enable merging companies to learn from each other and create additional value. Furthermore, a higher cultural distance can help the members of both parties to be more psychologically prepared and be less resistant to the upcoming changes. (Weber et al., 1996). In addition, Chakrabati et al. (2009) found that higher cultural differences are better for M&A performance in the long run.

Social integration mechanisms increase a company’s absorptive capacity which can be defined as: “A firm’s ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends” (Armstrong & Lengnick-Hall, 2013, pp. 4). There are multiple different kind of social integration mechanisms such as job rotation,

quality circles, cross-functional teams, self-managing teams and participation in making decisions. In job rotations, employees transfer laterally within the organization which increases knowledge absorption and organizational learning. Quality circles are small groups of people from similar areas of work who meet regularly in order to identify and solve problems within their responsibilities. Cross-functional teams on the other hand are a group of people from different areas of work. These teams are typically used to integrate expertise in order to complete projects. Self-managing teams solve problems that relate to quality and productivity and these teams are formed from interdependent individuals that work autonomously as a group. Participation in making decisions refers to joint decision making where employees help in problem solving. (Armstrong & Lengnick-Hall, 2013).

Björkman et al. (2007) created a theoretical model which suggests that cultural differences affect the capability transfer in the PMI phase. This is due to the impact cultural distance has on social integration, potential absorptive capacity and complementary capabilities. Their model also proposes that the use of social integration mechanisms and the level of operational integration moderate social integration and absorptive capacity. (See figure 4.)

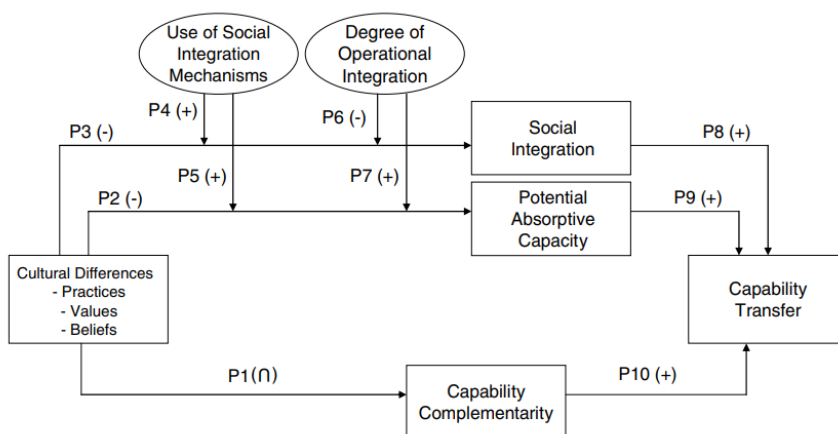


Figure 4. Factors influencing capability transfer in cross-border acquisitions. (Björkman et al., 2007, pp. 663).

The figure above includes ten propositions (P) that help understand what affects capability transfer and in what way (-+). P1) Moderately large cultural distance is associated with increased amounts of capability complementarity between the merging companies as there is a curvilinear relationship between capability complementarity and cultural differences. P2) Higher cultural differences between the merging companies lowers the levels of potential absorptive capacity. P3) Higher cultural differences is associated with a lower level of social integration. P4) Broad utilization of social integration mechanisms reduce the negative effects that cultural differences have on social integration. P5) Using social integration mechanisms extensively reduces the negative effects that cultural differences have on social integration. P6) High levels of operational integration increases the negative effects that cultural differences have on social integration. P7) Higher levels of operational integration decreases the negative effects that cultural differences have on absorptive capacity. P8) Higher degrees of social integration is associated with a higher level of capability transfer between the merging companies. P9) Higher degrees of potential absorptive capacity is associated with a higher level of capability transfer between the merging companies. P10) High levels of capability complementarity between units is associated with a higher level of capability transfer. (Björkman et al., 2007).

2.3 Planning integration and measuring performance

Integration planning is an important part of any acquisition, as it ensures that the new company and its employees are smoothly integrated into the existing organization. There are a variety of factors that should be taken into account when developing a post-acquisition integration plan. Successful integration efforts will lead to a more successful organization overall and stronger relationships with the acquired company's employees. However, failure to integrate properly can have serious consequences for both organizations.

According to Soofi & Zhang (2014) integration planning should start before the merger and preferably as soon as possible. The planning process starts with the formation of the

PMI group that includes members from both the acquiring company and the acquired firm. (Soofi & Zhang, 2014). Forman & Frankel (2017) also argue that having an integration development team is key for planning integration and implementing the plan, however, they suggest that when the level of integration is moderate or high, there should be a team for each area of work that is integrated. (Forman & Frankel, 2017). The main tasks of this group is to develop a schedule for the integration which defines what should be done, when should the task be done and who are the persons responsible for the tasks. Furthermore, the group should determine the economic functions of the merged company as well as plan how functions and departments should be combined. Moreover, the group should develop KPIs for the integration plan and M&A success, carry out key decisions and organize a communication campaign. (Soofi & Zhang, 2014).

Kroon, Noorderhaven, Corley & Vaara (2021) argue that successful integration requires managers to have mixed elements of hard and soft approaches that match their intended integration operations. Their model (see figure 5.) suggests that the integration intentions of top management and using or restraining power as well as social integration are important aspects in shaping integration processes between employees of the merging companies (a). Defining integration processes to employees is an effective way to use power, however, too detailed instructions can be harmful for the integration and therefore restraining power is as important as using it (b). The use of social integration mechanisms reinforces positive interactions and reduces negative ones (c). The quality of collaboration is influenced by how the interactions between groups are perceived (d). Achieving the intended integration is influenced by the interactions between groups (e). There will be feedback coming back to the interaction processes from the outcomes of both hard (f) and soft (g) approaches throughout the whole integration phase. Lastly, there will be feedback from the outcomes of task integration towards future integrations (h). (Kroon et al., 2021).

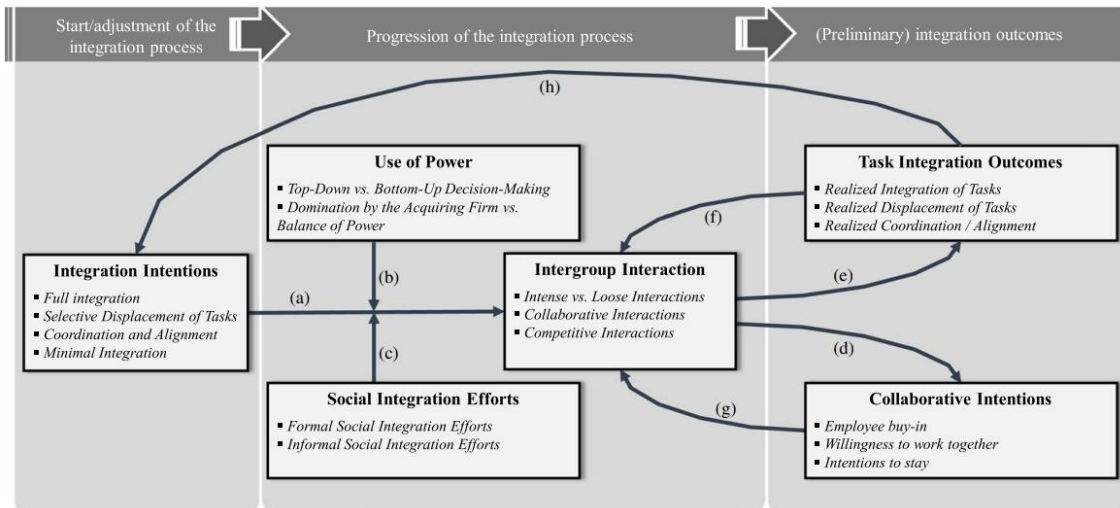


Figure 5. Emergent process model of post-acquisition integration (Kroon et al., 2021, pp. 21).

2.3.1 Performance measurement

Acquisition performance can be defined as the value captured from an acquisition by the acquirer (King, Dalton, Daily & Covin, 2004). M&As are complex constructs and scholars have developed various ways to measure their performance. Studies typically employ several different performance measurements as one measure can only capture one dimension of the construct due to its complexity. Furthermore, performance measurement studies can be divided into two different categories which are objective measures and subjective measures. (Cording, Christmann & Weigelt, 2010).

Objective measures have been more popular than subjective measures, they are more present in quantitative studies and they related to the financials of a company. Typically objective measures study accounting data and use measurements such as return on equity (ROE), return on assets (ROA) and return on sales (ROS). These type of studies also research the long term stock performance by calculating announcement-effect event study measures. Such measures can be for example cumulative abnormal returns (CARs) and buy-and-hold returns. (Cording et al., 2010; Wei & Glegg, 2020).

Subjective measures are typically featured in qualitative studies and they offer a holistic view of post-acquisition integration. These type of studies usually research the managers' evaluation of the acquisition success, whether or not objectives were achieved, compare the outcomes with main competition, assessments of multiple respondents and narratives of success. Nevertheless, none of these measures can explain the reasons and actions that affect acquisition performance. This is due to the variance of performance during the integration process and after it. Performance tends to be negative early on the acquisition, however, it often becomes positive in the long term. (Wei & Glegg, 2020).

2.4 Model for planning and managing post-acquisition integration

In this section a model for planning and managing post-acquisition integration is presented. The model is based on the literature provided and it aims to illustrate the process and the various aspects what to take into consideration in PMI planning. These areas of PMI are also important to managing the process and having a positive outcome. More detailed explanation of the different parts of figure 6. are presented below the model.

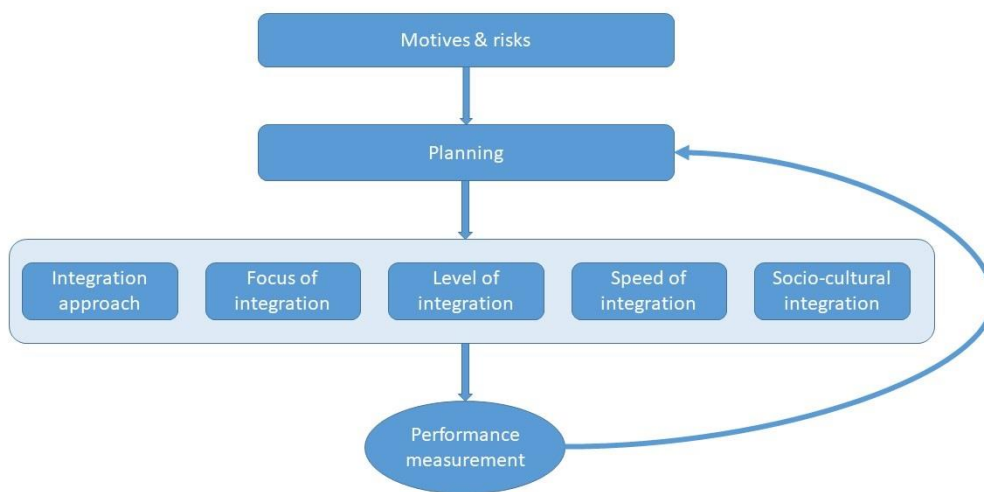


Figure 6. Managing and planning post-acquisition integration

The proposed model starts with motives and risks. The reason for this is that M&A motives and risk acknowledgement have an impact on the post-acquisition integration phase. Firstly, as M&As are influenced by firm-, industry- and country level factors (Shimizu et al., 2004) they need to be taken into consideration to get a sense of what needs to be done in order to achieve the goals of the M&A. Secondly, the management of the acquiring company needs to decide whether they seek to create value or capture it (Nguyen et al., 2012) through the acquisition as it largely affects whether they need to create synergies or let the acquired company be as it is. Risks are included in the first part as they are important to acknowledge in order to avoid common pitfalls and increase the chances of a successful M&A.

The second part of the model, "Planning" can be included into the third part but it has been presented separately as the planning of post-acquisition integration should start in the early stages when looking in to the possibility of utilizing M&As as a growth strategy. The different mechanisms in the third part of the model are all aspects to consider in planning and managing the integration phase. Firstly, integration approach should be defined. This study uses Angwin's & Meadows' (2015) framework where there are five different approaches to analyze the case study. The approach or strategy determines how a company should approach the new acquisition and how synergies can be achieved. Whether the acquired company needs autonomy and how interdependent the two companies are of each other to create synergies. Focus of integration is important as many mergers do not need all areas to be integrated. Therefore companies should focus on planning and managing the areas that can create synergies. Level of integration determines the needed level of integration in the chosen areas. This can be anything between low and high. Speed of integration is an important aspect but can vary from case to case (Homburg & Bucerius, 2006). A fast integration can be beneficial for realizing synergies, however, in some cases trust building needs to be done and a slower integration is seen more beneficial (Inkpen et al., 2000; Ranft & Lord, 2002). Some areas typically need faster integration such as human resources while others do not need to be rushed (Forman & Frankel, 2017; Soofi & Zhang, 2014). Socio-cultural integration refers to various human, social and cultural aspects of the integration as well as issues of trust, justice and identity (Graebner et al., 2017). These are complex elements in the post-acquisition integration as there is no absolute answer how differences in for example culture affect the M&A.

Performance is an important part of managing and planning integration as it gives goals that should be achieved and lets the acquiring company see how the different integration actions have changed the organization. Lastly, the arrow from performance to planning is part of the model as the author argues that when the outcomes of the integration actions have been measured, there will most likely be some negative

outcomes which should lead back to planning in order to rethink the situation and come up with better solutions.

3 Research Methodology

This chapter discusses the research methodology applied to the study. This thesis utilizes the “research onion” by Saunders et al. (2009) (see figure 7.) to build a structure for the methodology and to ensure that all relevant aspects of research methodology are covered. Firstly, the philosophy and approach to the study are introduced. This is followed by the research design which covers the strategy, choice of methods and time horizon of the study and lastly the data collection and sample are discussed. Furthermore, issues and challenges with reliability and validity are covered.

Saunders et al. (2009) argue that while research methods are a central part of conducting any research, it is more important to peel the onion layer by layer. This is because both qualitative and quantitative methods can be used in any research and the methods are secondary to the questions of research paradigm. Research paradigm can be defined as a basic belief system that guides the research in existential and epistemological ways and not just in choices of methods.

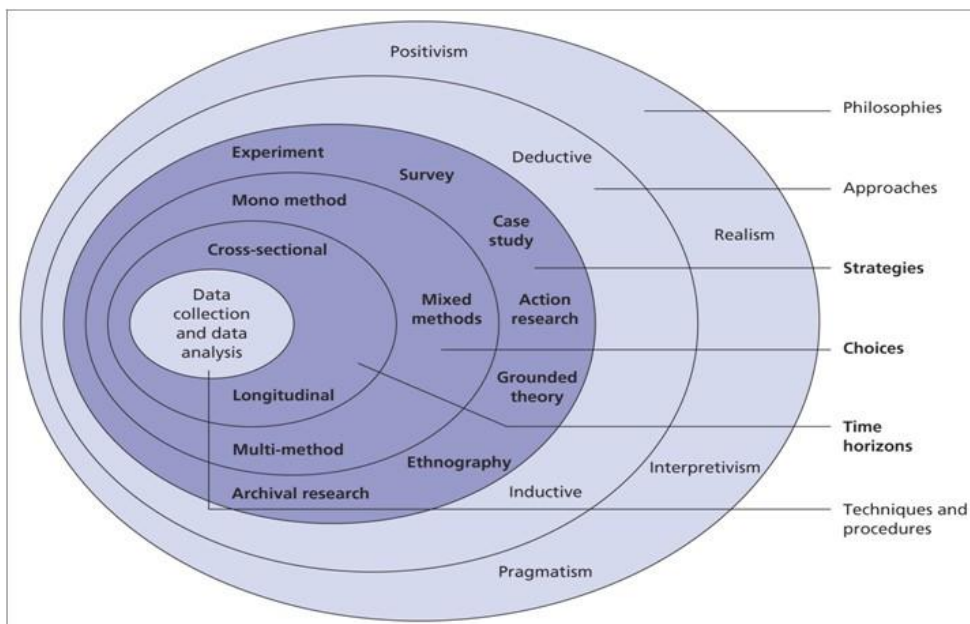


Figure 7. Research onion (Saunders et al., 2009, pp. 108)

3.1 Research philosophy and approach

Research philosophy is related to developing knowledge and to the nature of what that knowledge is. The philosophy of a research gives the indication of how the world and the research problems are viewed. Furthermore, it builds a base for what strategies and methods to choose as part of a research. As seen from figure 7. there are four philosophies to research: positivism, realism, interpretivism and pragmatism. The first one sees the world as objective and it aims to find one positive truth and make law-like generalizations. Realism is similar to positivism in a way that it believes a scientific approach is needed to develop knowledge, however, it sees that reality is independent of the mind and that the truth is what our senses indicate us. Interpretivism can be seen as opposite to positivism as it sees that reality is subjective and there can be multiple truths. The observed phenomena is based on the researcher's experience. Lastly, pragmatism does not follow any other philosophy and can use a mixed set of philosophies, approaches and methods in order to solve the research problem. (Saunders et al., 2009; Creswell, 2014)

This thesis applies interpretivism as the research philosophy. The research conducted in this study is qualitative in the form of an open ended questionnaire. The sample size will also be rather small which suits interpretivist research. The results show the thoughts of the managers and how they see the reality of the case. Therefore, the results are subjective and can hold multiple truths.

Saunders et al. (2009) present two approaches in their research onion model which are the deductive and inductive approaches. However, they argue that it is possible to combine these two and this can be advantageous in some cases. According to Dubois & Gadde (2002) the combination of inductive and deductive is called abductive or abduction. Deductive approach can be described as testing theory and it aims to explain the causal relationships between variables. In this approach, a hypotheses is formulated through literature review of the existing theory which is then tested. Data collection is

usually done with quantitative methods. Inductive approach is rather opposite to deductive where the aim is to build theory. Sample sizes in inductive approaches are typically small and qualitative methods are preferred. Furthermore, induction aims to gain understanding of events and the meanings that people attach to them. (Saunders et al., 2009). Abductive approach as stated earlier is the combination of both deductive and inductive. According to Timmermans & Tavory (2012), abduction typically includes reviewing new surprising theory and then builds theory by qualitative methods. In other terms, it aims to construct new hypotheses and theory based on former research evidence.

This thesis applies a deductive approach as a general main research question about post-acquisition integration was created, which serves as the premise to the study. The theoretical framework is developed by reviewing relevant literature in order to provide understanding of the key concepts, theories and principles related to the topic. This literature serves as the basis for the theoretical model and hypothesis. Empirical evidence is collected through a questionnaire which enables the testing of the hypotheses and allows to determine whether it is supported by the data. Empirical evidence provides specific and observable facts that can be used to evaluate the validity of the hypothesis. Finally, cross-analyzing the literature and empirical data is used to draw a conclusion to the research question. This approach supports building strong and logical arguments for the thesis as well as allows presenting evidence to support the conclusion.

3.2 Research design

The research design which consists of strategy, research choices and time horizon is the process of turning a research question into a research project. The design can also be called as a general plan that defines how the research question(s) will be answered, what are different steps and methods used in gathering and when will the data collection take place. The first thing to address when designing a research is clarifying the purpose of the research which can be categorized into three areas: exploratory, descriptive and explanatory. (Saunders et al., 2009). The purpose of this thesis is to review current literature and find new and specific insights for the case company and how different theories

fit in their organization. Exploratory studies aim to research the current situation and find new insights by asking questions and evaluating phenomena from a new perspective. Therefore, this study can be classified as an exploratory study.

The choice of a research strategy is often derived from the research question(s) and objectives, the amount of knowledge on the topic, the available timeframe and resources as well as the philosophical base. There are multiple strategies which can all be used in either exploratory, descriptive or explanatory research. Some of them are often used specifically in deductive or inductive approaches, however, there are no ground rules in what strategy should be used in for example inductive research. Furthermore, the use of one strategy should not preclude using another. For example, survey strategies can be part of a case study. (Saunders et al., 2009). This thesis utilizes a single case study strategy as it fits the definition of a case study by Robson (2002) where a case study examines a real life contemporary phenomenon from multiple sources and includes an empirical investigation. A single case study can be used when there is a critical or unique case to be studied and there is a need for case specific findings. Further arguments for using a case study strategy are that case studies typically answer questions of why, what and how and can use single or multiple methods for data collection such as questionnaires, semi-structured interviews or a combination of these methods. (Saunders et al., 2009).

Quantitative and qualitative are two different data collection techniques and use different data analysis procedure. Quantitative methods typically generate numerical data while qualitative methods use or generate non-numerical data such as words, picture or video. The choices section of the research onion demonstrates three methods: mono method, multi-methods and mixed methods. With mono methods the research is done using a single quantitative or qualitative method where as in multi-method there can be multiple quantitative or qualitative methods. Mixed methods on the other hand uses a combination of both quantitative and qualitative methods. (Saunders et al., 2009). This thesis uses a mono method as a single qualitative questionnaire is used.

The last part of research design is the time horizon of the study. There are two time horizons in the research onion which are cross-sectional and longitudinal. Defining the time horizon answers the question of whether the research studies a phenomena at a particular time or observes it throughout a certain time period and analyzes events and situations from start to end. (Saunders et al., 2009). This thesis conducts a cross-sectional study due to the research questions and objectives. Furthermore, the schedule of this study would not allow the use of a longitudinal study where the post-acquisition process could be examined more thoroughly.

3.3 Data collection and sample

As discussed earlier this thesis utilizes a qualitative questionnaire for collecting empirical data. The questionnaire was chosen as a data collection method in order to give the managers involved more time to answer the questions. The questionnaire was formed based on the theoretical framework and it aimed to ask open ended questions of all areas. Most of the question included some examples or explanation what was asked in order to guide the respondent towards the topic. This was done to mitigate the possibility of off-topic answers and the respondents were informed that they do not have to use the example as they are presented for guidance only. The respondents also got a translated version to their native language to further ensure that topic and purpose of the questions were communicated to the respondents as clearly as possible. Furthermore, the questionnaire included a small demographic section where the country and profession of the respondent were asked in order to differentiate the answers. In addition, secondary data of the company was collected internally as the author of this thesis works at the case company.

The questionnaire was sent to both Finnish and Swedish organizations via email. The included a cover letter introducing the author and explaining the thesis process and why the questionnaire was sent to the receiver. There were a total of eight people that the questionnaire was sent to, four from each organizations. All of these were working in top

management positions and had been involved in the acquisition process. From the Finnish organization the sample consisted of the executive board and in Sweden the sample included the owner of the company and the directors of each office locations.

Respondent	Acquiring/Acquired company	Job title
Respondent 1	Acquiring	CEO
Respondent 2	Acquiring	Development director
Respondent 3	Acquiring	Manufacturing director
Respondent 4	Acquiring	Sales & Marketing director
Respondent 5	Acquired	Site manager
Respondent 6	Acquired	Site manager
Respondent 7	Acquired	Site manager
Respondent 8	Acquired	Founder / CEO

Table 1. Background information of the respondents

3.4 Data analysis

In qualitative research the objective of collecting and analyzing data is to provide a detailed and socio-contextual description and understanding of the research topic. There are different kind of methods for analyzing qualitative data. However, there are two commonly used techniques for analyzing textual data. These are qualitative content analysis and thematic analysis. (Vaismoradi, Jones, Turunen & Snelgrove, 2016).

The main characteristics for qualitative content analysis and thematic analysis are the systematic process of coding, analyzing the meaning and creating themes in order to provide a description of the social reality (Vaismoradi et al., 2016). These two methods are very similar to each other in terms of philosophical background, absorption of data, interpreting and describing data analysis, considering the context of the data and cross-

analysing data to find themes. However, in thematic analysis, a theme is considered to be underlying content. Qualitative content analysis researchers on the other hand have more freedom in choosing between the amount of data analysis when developing themes. (Vaismoradi & Sherrill, 2019).

Vaismoradi et al. (2016) presented a table (table 2.) for the different phases and stages in creating themes in qualitative content analysis and thematic analysis. The table summarises the different steps what should be taken when analysing qualitative data.

Phases	Stages
Initialization	Reading transcriptions and highlighting meaning units; Coding and looking for abstractions in participants' accounts; Writing reflective notes.
Construction	Classifying; Comparing; Labelling; Translating & transliterating; Defining & describing.
Rectification	Immersion and distancing; Relating themes to established knowledge; Stabilizing.
Finalization	Developing the story line

Figure 8. Phases and stages of theme development in qualitative content and thematic analysis. (Vaismoradi et al., 2016, pp. 103)

As seen from table 2. the different phases of theme development are initialization which refers to going through the data and highlighting meaningful data as well as coding and searching abstractions. The second phase is construction where the written notes are classified, compared and labelled and when necessary translated. This phase also includes defining and describing the notes. The third phase is rectification where the researchers needs to focus on the data but also take distance from it in order to obtain objectivity. In the third phase the researcher should start connecting the themes to the theoretical framework of the study and connect the themes to each other as in to stabilize the themes. Lastly, a story line should be created where the themes are described and connected. (Vaismoradi et al., 2016).

3.5 Reliability and validity

In qualitative research validity and reliability as well as generalizability differ from the same aspects in quantitative research. Validity in qualitative research means to check for the correctness of the results by using certain procedures whereas reliability means demonstrating that the researcher's approach towards the topic is consistent among other researchers and projects. Generalization can be defined as the ability to apply the findings to new settings, people or samples. (Creswell, 2014).

One of the strengths in qualitative research is validity and it is based on the accuracy of the findings meaning that they are trustworthy, authentic and credible from the standpoint of the readers, participants and the researcher (Creswell, 2014). According to Gibbs (2018), there are several techniques that can be used to address the validity of a research. These techniques do not guarantee that the findings will represent reality, however, they are good ways to eliminate common mistakes. The first method is triangulation which means getting more than one view on the topic. For example, having chronologically and geographically different datasets and samples. The second technique is respondent validation meaning that researchers should ask the respondents whether or not they have got the answers right. In some cases the respondents might have misunderstood the questions or they have changed their minds. In these cases the new data should be analyzed and the researcher should try to find why there has been a change in the results. The third technique is constant comparisons where the researcher should constantly compare the codes created throughout the analysis of the results. This increases the richness of the description in the analysis and ensures that the responses are presented as they are. Lastly, a technique to increase the validity of a study is to provide evidence to the reader in the form of quotations from the data. (Gibbs, 2018).

The validity in this study is increased by having an open conversation with the respondents. As the data collection method was a questionnaire the author could not be present at the time of the replies, however, it was communicated to the respondents

that should there be any concerns regarding the questions, they could contact the author. The respondents were also willing to further explain their answers if necessary. A clear communication channel was possible as the author is employed at the case company. Another method used in this thesis is the constant comparison of codes while analysing the results. Furthermore, evidence is provided in the form of quotations.

Having a consistent and stable approach to the research is key for increasing the reliability of the study. According to Creswell (2014), researchers should document as many steps of the used procedures as possible. Documenting procedures ensures that others can follow them. (Creswell, 2014). Gibbs (2018) suggest four different methods for creating a consistent and reliable study. Firstly, a researcher should check their transcriptions over and over again to make sure that there are no obvious mistakes. The second one is to avoid definitional drift in coding. Codes created in the early stages of the analysis might be coded differently than the ones later on the study. Therefore, it is important to constantly check the codes and write memos. The third one relates to working with a research team. When working in teams, all members should have access to the data, have documented meetings, divide the labour and have more than one person engaged in the analysis. The final technique is to cross check codes between researchers to see if the definitions are clear and consistent. (Gibbs, 2018).

The reliability of this study is addressed by documenting every step of the process, creating memos and analysing the results in a short period of time. The steps of the process have been shown throughout this thesis and it acts as a main documentation platform for the study. The questions from the questionnaire are presented in appendix 1. The author also created multiple memos and in order to avoid definitional drift the analysis of the results was done in a short time period where the focus was solely on analysis. The approach of this thesis was agreed with the case company in the early stages of the process and it has been consistent throughout.

Generalization in qualitative research is used with some limitations as the findings should not be generalized outside the scope of the individuals, sites or places of the study. The value of qualitative research comes from the themes and descriptions developed within the context of the study. Generalization occurs when additional cases are studied and the previous findings can be applied. (Creswell, 2014).

4 Conclusion

The aim of this chapter is to answer the research questions by presenting the main findings of the empirical study with theoretical literature. Furthermore, the author discusses the theoretical and managerial implications. Managerial implications include a preliminary integration plan for the case company. Finally, the limitations of the study are presented and suggestions for future research are provided.

What is the most suitable integration mechanism for the case company?

The first research sub-question was formed in order to find out the most suitable integration mechanism or strategy that the case company could utilize in the post-acquisition integration phase. The objectives for answering this question were reviewing literature of integration mechanisms to understand the process and reasons for different choices and analyzing the case company's current state and thoughts of the integration process. This was done through a questionnaire and it included four respondents from the case company and four from the acquired company. The questionnaire aimed to provide data for the four different parts of the "Model for planning and managing post-acquisition integration": Motives & risks, Planning, Integration mechanisms and Performance measurement. Such a comprehensive model was created in order to cover all areas of the post-acquisition integration as the case company did not have a structured and documented plan for the integration. Furthermore, the first question will be answered by the results and theory of the "integration mechanisms" part and the other three are included in the second research question of this study.

The first part of integration mechanisms was integration approach which defines how a company approaches a new acquisition and how synergies can be accomplished. The approach can be decided by a two dimensional framework consisting of strategic interdependence and organizational autonomy. (Angwin & Meadows, 2015). This study intended to use the "Five post-acquisition integration styles" by Angwin and Meadows (2015) as a framework for determining the most suitable integration approach.

The focus of integration means mapping out the similarities and differences of the merging companies as well as understanding the key components and how operations and procedures are run in each company in order to identify which areas should be integrated and what should be left as they are. Furthermore, it involves determining where there is redundancy and whether reduces elements should be eliminated from the acquiring or acquired company. (Forman & Frankel, 2017).

Human resources are found to be one of the most important areas to consider integrating as employees are key assets that both companies have and it reduces uncertainty among employees (Forman & Frankel, 2017; Soofi & Zhang, 2014). ICT-integration can generally have a slower pace, however, too slow integration can affect the approach and level of integration. Comparing and analysing the different systems is a key step and it should be kept in mind that integrating all systems might not be feasible due to costs. (Forman & Frankel, 2017; Soofi & Zhang, 2014). Integration of financial operations can reduce costs and product management integration can make other integrations easier, so these seem to be good starting points for ICT-integration and for the overall process. Sales and marketing might also be quite fast to integrate which would reduce uncertainty.

The level of integration refers to the degree of how fully the procedures and operations of an acquired company are integrated. This is an important aspect to consider as integrating at an improper level can cause large challenges and be harmful for the performance. Under or over integrating is usually a result of cultural factors that postpone the integration or pressure to integrate too fast. (Pitkethly et al., 2003). When merging similar units the level should be higher as it increases performance (Bauer & Matzler; Cording et al., 2008). The level of integration is typically higher with strategically similar companies, however, cultural similarities usually compensate for integration and lower levels are more appropriate (Bauer & Matzler, 2014).

The integration process typically consists of at least two phases which are “the first 100 days” and “transfer of competences”. During the first phase the objective is to build the relationship and reassure the employees of the future. The second phase begins when an appropriate atmosphere has been achieved and the companies can focus on integration. (Savovic, 2012; Gates & Very). On a general level, speed of integration is the time needed to completely integrate the planned systems, activities, structures and processes. A fast integration has a positive correlation with M&A performance when the merging companies’ external relatedness is low and internal relatedness is high. However, in an opposite case the integration should take a slower pace. (Homburg & Bucerius, 2006).

Socio-cultural or managerial integration consists of various human, social and cultural aspects as well as the issues of identity, trust and justice related to them. Many of the issues during integration arise from cultural differences which at an organizational are related to values and norms and on a country level the distance between nations. This double-layered acculturation is a crucial factor in succeeding. (Stahl et al., 2013). Social integration mechanisms increase a company’s absorptive capacity and these should be utilized in order to get the people to know each other, work on mutual issues in the integration and ease the communication. (Armstrong & Lengnick-Hall, 2013).

In conclusion to the first research question the suggested integration mechanism consists of taking a re-orientation/absorption approach, focusing on financial and product management integration as well as sales and marketing first in order to start cooperation and increase the speed of integration. These require planning and analysis, however, they can be faster than procurement and production and might be necessary to integrate in order to succeed with the latter two. Integration level generally should be on a medium level, however, similar units can take a higher level and vice versa. Consider taking a faster integration speed even though the results could indicate a medium pace. Communicate the process and plans as well as familiarize more with the organizational culture. Finally, utilization of social integration mechanisms is key and a country manager should be considered.

How can the selected integration mechanism be implemented?

The second research sub-question is rather self-explanatory. The objectives were literature review of the different parts that affect implementation such as motives, risks, planning and performance measurement. The research questions for this part intended to gather data on the background of the acquisition and the current state of the company. This data along with theoretical literature aims to provide a conclusion on what the plans and next steps should look like.

Motives are seen in M&A literature as diversification, entering a new market and internationalization are typical firm-level factors influencing the choice of M&A as an entry mode and market growth in the target country being a country-level factor (Shimizu et al., 2004). Furthermore, the said country-level factor has been studied to increase the likelihood of M&A (Brouthers & Brouthers, 2000; Hennart & Reddy, 1997). Similar culture has also been studied to increase the usage of M&A (Kogut & Singh, 1998) and even though similar cultures were not mentioned as a motive for the acquisition, the results later indicated that the two countries have similar cultures which could have been an additional motive to choose Sweden as the target country. Finally, risk management and reducing risk has been stated to be a common motivator in many deals (Sherman, 2010).

There were no significant cultural differences thus culture was not seen as a threat. Nevertheless, communication and transparency were key aspects in maintaining a good relationship. Furthermore, as there are no large cultural differences and the relationship and cooperation was stated to be good, the cultural distance hypothesis (Stahl et al., 2013) seems to be true in this case at the current phase of the acquisition. Neither of the main challenges, resources and time, were covered in the theoretical part as it went through the most common types of risk which include managerial, legal, taxation, distribution, foreign exchange and repatriation and political risks (Soofi & Zhang, 2014). The author argues that the case company would not have made the acquisition if they were

not in a good financial state. Personnel resources and time can be related to each other and is an important part to consider when moving forward with the integration so that enough personnel can be invested to the integration and the schedule can be secured.

The next part, planning, consisted of the goals for the acquisition, changes in duties and satisfaction with the current situation. These questions were meant to cover some background for the planning. The goals and intentions with the acquisition are in line with the theory as value-increasing M&As go through the process of combining physical operations and development of synergies (Nguyen et al., 2012).

Planning plays an important part in any acquisition as it ensures that the new company and its employees are smoothly integrated into the existing organization. In this study, the results demonstrate a certain dissatisfaction that seems to be due to the lack of a concrete plan. Planning should start before the acquisition and the process typically starts with the formation of a PMI group that involves members from both parties. (Soofi & Zhang, 2014). An integration development team has been found to be a crucial factor in successful planning and implementation of the plan. Furthermore, when the level of integration is moderate or high, there should be a team for each area that is integrated. (Forman & Frankel, 2017).

The manager of the integration tasks should try to use a combination of hard and soft approaches that match the intended integration operations. Using and restraining power as well as social integration are important aspects in shaping the processes between employees of the merging companies. Furthermore, there are five elements to keep in mind while managing integration: Defining integration processes to employees is an effective way to use power, however, too detailed instructions can be harmful, the use of social integration mechanisms reinforce positive interactions, the quality of collaboration is influenced by how the interactions are perceived, interactions between groups affects is crucial in achieving the intended results and collecting feedback is important for developing future integration tasks. (Kroon et al., 2021).

Acquisition performance is the value that is captured from an acquisition by the acquirer. The performance should be measured in various ways as one measure can only capture one dimension of the acquisition. Objective measures are typically more popular than subjective measures and they study accounting data such as return on equity (ROE), return on assets (ROA) and return on sales (ROS). Common subjective measures are the managers' evaluation of the acquisition success, whether or not objectives were achieved, assessments of multiple respondents such as employees and comparing outcomes with main competition.

The results from the questionnaire that planned performance indicators are in line with theory. In order to be able to measure the performance it is important that the growth goals as well as other objectives and aims are planned so that the plan can act as a benchmark for the performance measurement.

In conclusion to the second question the motives for the acquisition are in line with existing literature which gives a good starting point for the integration. Investing in personnel should be considered as the integration needs planning and implementing and there are time concerns among both companies. Creating integration development teams is key. The teams should plan the schedule, tasks, responsibilities, economic functions, measuring instruments, communication campaigns and carry out the decisions. Furthermore managers should use a combination of soft and hard approaches as well as social integration mechanisms.

4.1 Theoretical implications

As stated in the introduction of this thesis, majority of the research done on M&As have been on domestic M&As and only some have focused on solely cross-border M&As (Shimizu et al., 2004). The research on M&As have also had a focus on the motivation

and strategies that led to an M&A whereas little have focused on the PMI phase. Furthermore, the studies that focus on PMI have been conceptual and are based on limited case data. (Angwin & Meadows, 2015). Moreover, lack of empirical evidence on the mechanisms driving post-acquisition integration has been seen as an issue (Shimizu et al., 2004; Angwin & Meadows, 2015). This study of cross-border post-acquisition integration management contributes to filling these gap in literature with empirical evidence of how different mechanisms affect the post-acquisition integration phase in an international setting. Even though the outcomes of the integration cannot be measured, this thesis provides data on the planning and mechanisms from an unusual research point that can be used as a benchmark for future studies.

This thesis collected several empirical findings that were compared to the existing literature and analyzed whether they are in line with the theoretical framework of managing post-acquisition integration process. Many of the findings were supported by the literature review and theoretical framework indicating that theoretical knowledge on M&As has reached the managers of the case company. However, there were also aspects that were not stated implying that this thesis provides new information to them as well.

Many studies focus on a specific part of post-acquisition integration as it can provide a more in-depth understanding of a certain phenomenon. This thesis covered multiple aspects of the PMI process in order to create a preliminary plan for the case company and demonstrate the complexity of the process and the different parts of motivation, risks, planning, integration mechanisms and performance measurement. This comprehensive overview of the process can help future academics in analyzing these complex constructs as a whole. Furthermore, this type of research can be beneficial in understanding why many M&As fail as the overview style can point out slight differences between different cases.

4.2 Limitations and suggestions for future research

The post-acquisition integration field of research includes many different areas to study. This thesis attempted to cover most parts on a rather general level in order to create a comprehensive overview of the various aspects that need to be considered in the PMI phase. This in itself is a limitation to the study as the author could not analyze a specific area in much depth. The timeframe of the thesis was also a limitation as data on the outcome of the integration could not be analyzed and the comparison of how the implications of this study carried out. Furthermore, as the research strategy was a case study and the sample size was rather small, the results cannot be generalized or used directly in other similar cases.

As the PMI phase consists of several elements, future research could focus more specifically in any of the areas covered in this thesis. The study should most likely be another case study for the same company as the results are case specific. The focus of future studies should be on the performance and they should analyze how certain areas affected the performance.

Further research could also study companies during the planning or integration in order to compare the initial settings that companies have before the integration is complete. Another suggestion would be to research any similar studies and compare them to the outcome of the integration.

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Appendices

Appendix 1. Questionnaire

Background

1. Your country of residence?
2. Current job role?

Motives & risks

1. What was the original motive for the business acquisition/business sale from Sweden? (for example, the advantages of large-scale production, diversification of the product portfolio, internationalization) There is no need to answer if the question is not relevant to you.
2. What kind of challenges can the integration process create?
3. How do you think cultural differences can affect the realization of integration? (Challenges/opportunities in management styles, organizational structure, operating methods, communication?)

Planning

1. What goals are you trying to achieve with the acquisition in question? (for example, creating or acquiring business value)
2. Will your duties remain the same after the acquisition?
3. How satisfied are you with the current situation between the companies?

Integration approach

1. At what level do you see the acquired company's need for organizational autonomy? (Low: Case company should guide acquired companies in operating methods and decision-making, High: Acquired companies should retain decision-making and their own operating methods.)
2. How much know-how should be transferred between the companies?

3. How could Finnish and Swedish companies benefit from each other's knowledge and skills or processes?
4. How much physical resources will be used between the companies? (for example: software, transport/production equipment, products).
5. How much personnel should be transferred between the companies?

Focus of integration

1. Which areas would be the most important to integrate/coordinate and why? (For example: Sales, marketing, financial management, product management, production, etc.)

Level of integration

1. At what level should these areas be integrated?
 - Low level: For example, the integration of the programs used.
 - Medium level: For example, changes in the value chain and decision-making methods. (Reporting, sub-area structure and hierarchy).
 - High level: Comprehensive sharing of resources and full integration of all functions.

Speed of integration

1. How long should the integration process take? (in months)

Socio-cultural integration

1. With what methods should social/human integration be implemented? (For example, work rotation, quality circles, multidisciplinary teams.)
2. What kind of cultural differences are there between companies? (National and organizational culture)
3. If there are cultural differences between the companies, what kind of measures/in what ways do you think it is possible to mitigate/even out the possible challenges caused by the differences?

Performance measurement

1. How should the integration performance be measured? (KPI metrics, subjective view of success)