“What integration process?”
- The role of subsidiary autonomy in integration processes

Authors

Love Löfvin Rosén

Daniel Nilsson

Supervisor

Christine Blomquist
Preface

This master thesis was written during the first semester of 2015 as an examination of our Masters in Business Strategy and Organizational Studies respectively. The thesis is comprised of 30 Swedish Credits and was written in the faculty of School of Economics and Management at Lund University. We would like to thank the companies and people that participated in the thesis and made it possible through their help and guidance. Thank you for your time and efforts.
Abstract

The purpose of this thesis is to investigate how the autonomy in an acquired subsidiary affects the integration process within an M&A process. The study uses a qualitative and deductive method by conducting a case study in a major Swedish technological company. We have made five different hypotheses based on three prominent articles within the M&A research area that deal with the subject of subsidiary autonomy. These articles are: ‘Integration Vacuum: Creating Action Space for Global Strategy Implementation in International Acquisitions’, written by Helene L. Colman & Birgitte Grogaard; ‘Determinants of Autonomy in Multinational Corporation Subsidiaries’, written by James Taggart & Neil Hood; and ‘Exploring Subsidiary Desire for Autonomy: A Conceptual Framework and Empirical Findings’, written by Christian Homburg & Jana-Kristin Prigge. We found all five of the hypotheses to be verified to alternating degrees. The implications of our empirical data lead us to e.g. propose an expansion to the theory of the integration vacuum. The conclusion of this study is that as an acquirer, you should have a clear purpose behind every M&A process since this increases the chances of a perceived success.
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1 Introduction

1.1 Background

Mergers and acquisitions are a popular way for companies to grow, develop and move forward. The number of worldwide mergers and acquisitions has been increasing steadily for the last 30 years and seems to be reaching new heights. Last year, 2014, there were roughly 40,000 announced mergers and acquisitions worldwide (IMAA, 2015).

The research around the M&A process is vast. There have emerged four different schools of thought over the years, regarding the M&A process and how it should be analyzed and understood. These four schools are the financial economic school; the strategic management school; the organizational behavior school and finally the process school (Bauer & Matzler, 2013).

The financial economic school has been the dominating way of studying M&A’s up until about 30 years ago when other variables such as culture started to trend. This school of thought analyzes the M&A process with variables such as method of payment, bidders, cost synergies and shareholder value (Stahl & Voigt, 2008; Bauer & Metzler, 2013; Global Operations, 2015).

The strategic management school is centered on the strategic fit of the acquirer and the subsidiary. The identification of processual and strategic factors that affect the performance variances between the companies, is a major part of this school of thought (Cartwright, 2006; Bauer & Metzler, 2013).

The organizational behavior school has its origins in psychology and human resource management. This school investigates how corporate culture and employee perceptions affect the M&A process and the outcomes (Cartwright, 2006; Bauer & Metzler, 2013).

The process school focuses on the choice of integration strategy and the actual M&A process’ role in the end-results. This school borrows perspectives and ideas from both the strategic management school and the organizational behavior school. (Cartwright, 2006; Bauer & Metzler, 2013).

In this thesis, we have chosen to focus on the latter school of thought, the processual one. The integration process is often what makes or breaks an acquisition. An inferior integration process
can lead to negative results and outcomes in the form of reduced shareholder value and unrealized synergy effects (Cartwright, 2006; Global Operations, 2015).

What we want to study is the integration process itself; particularly how the amount of autonomy a subsidiary is given affects the integration process. Thus, the processual school suits this thesis’ interests best.

1.2 Problematization

An integration process is difficult and has a high failure rate. More than half of all M&As, about 50-60%, are considered failures due to the lack of, or not sufficient, integration. (Shrivastava, 1986; Schweiger & Very, 2003). The insufficient integration could be due to a multitude of factors, for example differences in corporate culture and the context of integration. Two major factors that problematize the integration process are politicization and ambiguity of integration initiatives, which causes an integration vacuum where the parent company loses control of the integration process. An integration vacuum is a state where integration efforts from the parent company causes resistance in the subsidiary and creates a situation where nothing moves or happens, i.e. a vacuum (Colman & Grøgaard, 2013).

These problems can all be derived from one general factor, autonomy. Autonomy in this case, is the ability for the subsidiary to freely conduct its business the way it sees fit (See the chapter “Concepts & Definitions” for a more thorough explanation of the concept of autonomy in M&A processes). Balancing integration efforts with autonomy in the subsidiary is a major issue when acquiring and integrating a company. Too much integration efforts can cause resistance while too much autonomy can result in a slow integration process with insufficient results - both approaches can lead to problems in the integration process (Colman & Grøgaard, 2013).

Not having a clear plan regarding what degree of autonomy a subsidiary should have, can lead to integration results not meeting the expectations from the acquirer. This, in turn, can lead to unnecessary costs and unrealized synergy effects that will cost the acquirer and ultimately shareholders and stakeholders. The M&A failure rate has been rather stable the last 30 years, which suggests that a better understanding of the integration process is needed. M&A research is still mainly focused on financial and market factors; new research contributions regarding the integration process and the processual school are welcomed (Global Operations 2015; Cartwright, 2003; Bauer & Matzler, 2013).
However, one should keep in mind that not having a clear integration plan as an acquirer can sometimes lead to positive outcomes, for example, when the subsidiary already has an exceptional business or when bottom-up initiatives to integration are conducted. In these cases, the best results are achieved by giving autonomy in the integration process to the subsidiary (Human Resources, 2015; CFO, 2015; Colman & Grøgaard, 2013).

To conclude, the degree of subsidiary autonomy in a M&A process is a volatile variable that is also very ambivalent. Choosing the right degree of subsidiary autonomy is often highly individual but still extremely important for the integration process. The case-specificness of the autonomy variable in M&A processes and the constant high failure rate of M&A’s make subsidiary autonomy welcoming to new research. These characteristics make the degree of subsidiary autonomy a relevant and interesting problem for our thesis.

1.3 Purpose
The purpose of this thesis is to study how autonomy in acquired subsidiaries during M&A processes affects the integration process in said subsidiaries. We will contribute to existing research by testing three theories and discuss the outcome of those tests.

1.4 The Study
The research has primarily been focused on one company, the Case Company, but also with comparison/benchmarking to other companies in order to expand the perspective, and increase the depth and width of the research.

The study will be conducted through semi-structured interviews with people from the management team of the Case Company, chiefs of operations in APAC, EMEA, and the Americas, and global managers in similar companies for benchmarking. In semi-structured interviews, the interviewers have a question form that is followed but can ask the informants to elaborate or ask follow-up questions (Bryman & Bell, 2007).

The study has been focused on the larger and more important M&A processes within the companies.
1.5 Concepts and Definitions

Below is an explanation of different concepts and definitions that are used in this study. Understanding these concepts is important for a basic understanding of the M&A process and where it stems from.

1.5.1 Global Strategy

In *Economics of Strategy*, Besanko, Dranove, Shanley and Schaefer (2013) state that a strategy can be defined as “the determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” or “the pattern of objectives, purposes or goals, and the major policies and plans for achieving these goals, stated in such a way as to define what business the company is in or should be in and the kind of company it is or should be”.

A global strategy in the corporate world is a complex phenomenon. According to Colman & Grøgaard, Verbeke et al. states that for multinational enterprises with global strategies, value is created through a smooth integration of resources and activities across sections that are spread geographically (Colman & Grøgaard, 2013).

From these definitions we can conclude that a global strategy relies heavily on allocating resources, defining your business and achieving successful integration processes.

1.5.2 Strategic Integration

Integration is a concept that is used quite loosely (Schweiger & Goulet, 2000). Schweiger & Goulet define it as “some form of combining the assets and people of the buyer and the target”.

Colman & Grøgaard define it more narrowly and states that according to Haspeslagh et al, integration is “the process of combining the acquirer and the target firms legally, structurally, and culturally, and it is critical to acquisition success and value creation” (Colman & Grøgaard, 2013).

A more thorough explanation of strategic integration and the integration process itself will follow in the theory section.
1.5.3 Autonomy
Homburg & Prigge describes autonomy in global subsidiaries as the freedom from the control of the parent company. The control consists of imposed control mechanisms that benefit the MNE’s overall profitability. These control mechanisms are in contrast to the consideration of local culture and needs which the subsidiary wants to cater to (Homburg & Prigge, 2013).

Haspeslagh & Jemison refers to autonomy as the preservation of existing organizational capabilities and the creation of new ones in that organization. These capabilities are often closely related to organizational culture and thus to that culture’s independence (Haspeslagh & Jemison, 1991).

According to Colman & Grøgaard, integration and autonomy are two opposite phenomena that cause tension between them. Despite the acquiring company’s intentions to preserve local organizational culture, the integration efforts impose on local ways (Colman & Grøgaard, 2013).

Now, a summary of these definitions and a description the autonomy that we refer to will follow. Autonomy, in business settings, is the ability to freely conduct the company’s or organization’s culture and capabilities without interference from a parent company. Practically, this means the opportunity to take own decisions, big or small, which concerns the longevity of the organizational identity. This is often in stark contrast to integration efforts that seek to change or diminish said identity.

1.5.4 Organizational Culture
Organizational culture is a socially constructed phenomenon that is shared by a group of people. It is of qualitative nature and hard to measure or “catch”. It is the values and norms of persons existing in a particular setting. In summary, organizational culture is the perceived reality of persons in an organization. It is the reasons for a behavior rather than the behavior itself (Alvesson & Svenningsson, 2008).

1.5.5 Resistance to Change
Resistance to change often occurs when larger changes come about in organizations e.g. M&A processes. The resistance can be categorized in three components: affective, behavioral and cognitive resistance. Affective resistance is how a person feels about a change. Behavioral resistance is what a person does when confronted with change. Finally, cognitive resistance is what a person thinks about a change (Palmer et al, 2009).
2 Theory
In this section, we will provide the theory needed for an overall understanding for the M&A process and the reasons behind it. We will also provide more in-depth theory regarding subsidiary autonomy in M&A processes to give a greater background to this thesis’ purpose.

2.1 Theoretical background
Autonomy is a factor that is part of the integration process and thus the process school of thought regarding M&A’s. It is mostly from this school that we have gathered the theory that we need to analyze our empirical data, but also from the other schools in order to have a broader understanding.

2.1.1 What are mergers and acquisitions?
When a company is trying to expand and grow, there are two potential ways to do it. Either the company expands by itself, called organic expansion, or it expands through acquiring other companies. The second way to grow is called mergers and acquisitions, in short M&A’s. Mergers and acquisitions, M&A’s, are a set of actions from a company to first purchase another company, i.e. acquisition, and then to try to integrate the acquired company into your own company and organization, i.e. merger (Schweiger & Very, 2003; Colombo, Conca, Buongiorno & Gnan 2007; Bauer & Matzler, 2013).

The companies that expand through M&A’s often have a purpose behind the acquisitions. These purposes are important for the outcome of the M&A’s, due to different reasons having different impacts on the integration process and its variables. All variables in the integration process are interconnected with each other. For example, the purpose behind an acquisition affects the level of integration, which in turn affects autonomy in the subsidiary.

2.1.2 Purpose of M&A
The main reason for mergers and acquisitions is based on a company’s strategy and to achieve the strategic objectives of the company. Schweiger and Very (2003) lists five areas of strategic objectives.

The first strategic objective is to **consolidate market within a geographical area** by acquiring a competitor or company closely related to your own business within that area. The second strategic objective is to **extend or add products, services, or technology**. The idea is to gain complementary
capabilities or to increase your knowledge, skills and technology. A third potential strategic objective is to expand your business to gain further revenues and profits. This objective is achieved by entering a new geographic market, usually in newly liberalized or highly fragmented markets. Vertically integrate is the fourth strategic objective. Companies vertically integrate in order to gain more control over more parts of the value chain. Most common to integrate are the distribution channels and the suppliers. The last strategic objective that Schweiger and Very lists is to enter a new line of business in order to gain additional experience and knowledge.

Bower (2001) also states that strategic objectives are the main reason for M&A’s. Bower’s strategic objectives are similar, but with some differences to Schweiger and Very. Bower lists (1) to extend into new markets and products, (2) as a substitute for R&D, in general to gain new experience, knowledge, skills and technology, (3) to deal with overcapacity, (4) to roll-up competitors in a geographical market in order to gain economies of scale and scope, (5) exploit eroding industry boundaries by creating a new industry, as the different strategic objectives for M&A’s.

These different strategic objectives create different potential synergies and challenges. Schweiger and Very (2003) argued that there are four basic sources of positive synergy effects. However, it is noteworthy that a combination of two or more sources of synergy effects is usually pursued by the company. Pursuing, and gaining, synergy effects is important for an integration process to be considered successful.

The first source of synergy effect is cost synergies which arise because of reduced costs by either reducing the fixed costs or by reducing the variable costs, for example if economies of scope or scale are achieved or by increased productivity. Cost synergies are the most common source of synergy effects. Secondly, synergy effects can arise because of revenue synergies. Most companies usually hope for this source of synergy, however it is extremely hard to achieve it. This source could be done through for example complementary products, where the increase of sales in one product positively affects the increase of sales in another. Market power synergies are, according to Schweiger and Very, the third possible source of synergy effects. Market power synergies come to effect when the merger and acquisition results in the elimination of competition or consolidating the power of a company, most common source of synergy in mature markets where there is an overcapacity. The fourth and last source of synergy effects is intangible synergies. Intangible synergies can for example be that a brand's reputation gets increased, or an exchange of knowledge between the involved parts by the merger and acquisition. However, as
Schweiger and Very state, it is also important to keep in mind that there is a possibility for potential negative synergy effects. These are synergies that destroy the value of the company. In order to achieve as much synergies as possible, an integration process is necessary.

When a company has acquired another company, the integration process starts.

### 2.1.3 Strategic Integration

There is no universal correct approach as to how companies’ best integrate. Each acquisition is a new case and no cases are alike, which is why so many M&A’s fail. The integration process depends on a multitude of factors. In order to get a fully successful integration the companies need to address both pre- and postmerger issues, however the postmerger issues are the most decisive (Shrivastava, 1986; Bauer & Matzler, 2013). According to Shrivastava, premerger integration are all the activities and preparations companies do before they go through with an acquisition, and postmerger are the activities that are done after the acquisition. Premerger could include evaluations and negotiations with potential companies. Premerger integration is done in order to acquire the best potential companies, and therefore making the postmerger integration process less complex, difficult and complicated, for example in order to acquire a company in the right size and strategic area. It is also done to communicate the objectives of the acquisition with the acquired company in order to enable more understanding between the involved parties, and also to be able to reduce any potential postmerger issues (Shrivastava, 1986). We are focusing on the postmerger integration process in this thesis since we are writing about autonomy in the subsidiaries.

Colombo et. al (2007) address a couple of common mistakes made by companies and managers. Firstly they argue that “Do not think that just because you have already undertaken one or more acquisitions you have all the right answers” (Colombo et al. 2007). Many M&A’s are case-specific, which means that previous experience may help although not as much as one might believe. Managers and companies usually rely on previous experience more than they should. Secondly, they argue that “buy the target that you already know” (Colombo et al. 2007). The more preparations and knowledge you know of the potential acquired company, the better. Which is why an integration strategy is important, and why companies should have a certain focus on premerger as well as postmerger integration processes. “Don’t wait too long before starting the integration” (Colombo et al. 2007) is their third argument, which refers to that companies should have a strategy and implementation plan ready.
Factors that influence the postmerger integration process and success are the strategic fit of the two companies, culture, the level and speed of integration, communication and autonomy of the acquired company. These variables are all connected and intertwined with each other. For example the speed of the integration depends on the level of integration that in turn depends on the culture and strategic fit. The factors are also dependent on the motives for an acquisition because motives could change how much integration that is required. The factors are further explained below.

2.1.4 Strategic fit
Strategic fit is how well the two organizations that are merging match strategically and therefore fit together as a whole. A high fit increases their combined market power and productivity through for example economies of scale or scope, and could potentially give other positive effects. If the organizations that are merging do not fit strategically, the merger and integration will in general become more difficult. There are two approaches to strategic fit that are being argued over by scholars. One is strategic fit through similarity and the other is strategic fit through complementarity. Some scholars argue that a higher similarity is better for the strategic fit while others argue that complementarity is better, there is no common accepted consensus about what is better (Bauer & Matzler, 2013).

Similarity exists when the organizations are similar in culture, administrative, procedures and management style etc. Being similar increases M&A success rate by the two organizations being so alike that they are easily integrated into one another, and they can use each other’s resources and capabilities more effectively and create higher value. In other words, an efficiency-based synergy (Bauer & Matzler, 2013).

Complementarity on the other hand is defined by Bauer and Matzler (2013) as the organizations having “different characteristics that are independent and mutually supportive”. Usually complementarity exist in technology, product and markets. Complementarity gives rise to both the efficiency-based synergies and value creation, but they are also both mutually supportive to the other one, which is usually described as an enhancement-based synergy.

2.1.5 Cultural fit
Cultural fit could resemble strategic fit; it is about the resemblance or relatedness of the acquired company and the acquirer. There could be a cultural similarity or a cultural complementarity, as long as they support each other. One of the major reasons that M&A’s fail is because the
organizational or national cultures do not match or are incompatible. The bigger the cultural difference, the harder the integration process. Therefore cultural fit is important for the integration process. A cultural fit enables an easier integration and in the long run more synergy effects and success (Bauer & Matzler, 2013).

The acquired company would be less accepting of the integration and the acquirer if there is a cultural misfit, which could lead to them becoming resistant and wanting to keep their own culture and ways to do activities. A high speed of integration and a cultural misfit would be extremely damaging to an integration process. Opposite to cultural misfit, a high fit would lead to a faster, less resistant integration, and less need for formal integration due to the company's thinking and acting alike (Bauer & Matzler, 2013).

Bauer & Matzler (2013) further states that there are two different types of culture, national and organizational, which affect the integration differently. Organizational culture, as mentioned in concepts and definitions chapter, are all the values and beliefs among all the members of an organization. The organizational culture influences everything throughout the organization, its activities and codes of conduct for example. While national culture is the same as organizational, only it is the entire population of a country that has it. The differences in national culture do not matter as much as the organizational culture differences when it comes to synergies, integration etc.

2.1.6 Level of integration

The level of integration is affected by, as mentioned previously, the strategic objectives or motives of the acquisition. For example, less integration is needed if the acquisition is based on adding a product in comparison to when the strategic objective is to consolidate (Schweiger and Very, 2003). Culture is another factor that determines the level of integration (Faulkner, Child & Pitkethly, 2003). Cultural differences are a reason why some companies fail to integrate as much as they want, or that they integrate too much, in other words that they get a higher or lower level of integration than anticipated. A high level of integration obviously leads to more change and coordination throughout the entire organization, on some to all levels in the organization. Some level or degree of integration is always required for a successful merger (Bauer & Matzler, 2013).

According to Pablo (1994) there are three different levels of integration, low, medium and high. Pablo describes low-level integration as limited technical and administrative sharing of financial risks and resources, and a small simple standardization of processes, systems and communication.
Medium-level integration is described as sharing and exchanging physical resources and knowledge. Furthermore, reporting and other administrative sides are being changed or modified to better suit the company. A delegation of authority and therefore decision-making is also being made. The last category, high-level of integration, is said to have a huge amount of sharing of all different types of resources, and adoption of operating, control, procedures, and planning systems, also a cultural adoption from the acquired company. Pablo noted that task integration is the main determinant of the level of integration, however culture also has a huge impact.

2.1.7 Speed of integration

Another key factor to strategic integration is the speed of integration. How fast the speed of integration should be has been argued over.

For a faster return on the investments and faster synergies, a faster speed of integration is desirable. Many scholars also argue that a fast speed of integration is of importance in order for the M&A to be successful. Faster integration speed can also take advantage of the momentum in the phase after a deal, when things are still on the move and wheels are still turning. Other scholars argue that a slower speed is desirable, since a slower speed may avoid or reduce conflicts between the parties and build trust, while a faster speed may trigger resistance. However, a slower speed may also trigger resistance since companies get used to working in a certain way; you lose the momentum (Bauer & Matzler, 2013).

Colombo et al. (2007) argue that in the beginning of a M&A process, companies have a sort of “honeymoon”, where integration is easier because it is anticipated by the acquired company to happen and the company can take advantage of the previous negotiation phase and agreed terms to flow along with the momentum of the acquisition.

The speed of integration should also be closely aligned with the culture of the target company, and the level of integration that is desired. The more difference in culture, or the higher level of integration, or a combination of both, the longer the integration speed should be and usually becomes. It is often said that a fast speed is more desired, but fast speed comes at a cost. Sometimes the benefits are greater than the cost, which is when you should have a fast speed of integration. But if costs are greater than the benefits of a high speed, you should take it more slowly (Bauer & Matzler, 2013).
Homburg and Bucerius (2006) state that the speed should be dependent on the relatedness of the companies. In other words how similar and related the acquirer and the acquired company is to each other. They state that integration should have a different speed depending on their relatedness. Homburg and Bucerius (2006) divide the relatedness to external and internal relatedness. The external is how related the two companies are externally, when it comes to the target markets, products, quality, and price etc. However, external relatedness is not sufficient; internal relatedness must also be considered. While external relatedness focused on external factors, internal relatedness focuses on the organizations internally, such as culture, management systems, strategy and similar factors. The more similar, the more related the companies are. Homburg and Bucerius continue with stating that with a low relatedness, it is vital to take it slow and easy, especially when it comes to the internal relatedness. Furthermore, higher external and internal relatedness give rise to potentially higher synergies.

Thus the speed of integration is an important factor to take into consideration when integrating acquired companies.

2.1.8 Communication

Schweiger and DeNisi (1991) argue that communicating with employees on the intentions, both before and after a merger, is very helpful for the integration process. It will increase commitment among the affected people and create a relationship based on honesty and trust. Communication further reduces uncertainty and resistance from the people in the acquired company, and creates understanding for each other. Thus communicating in an integration process is of great concern and should not be taken lightly from the headquarters. It is also important to realize that the communication needs to be done correctly and it is necessary that the things that are being communicated are understood. However, as with integration, the correct communication could be different from company to company.

2.2 Practical background

Mergers and acquisitions are a frequent occurrence in the modern economic history, dating back all the way to the end of the 19th century. Even though it is dating back more than a hundred years, mergers and acquisitions historically come in cyclic waves and trends and are likely to be more common during certain time periods. Some reasons for this is due to deregulations in countries, markets and industries, but also due to new innovations. Furthermore, another reason is because mergers and acquisitions are affected by trends on how to do business in that certain time, for example when vertical integration was popular in the 1920’s. Mergers and acquisitions are
also affected by the economic and financial situation. During booms there is an increase in mergers and acquisitions in comparison to when the financial and economic situation is worse (Goergen & Renneboog, 2004).

This cyclic trend was shown during the 2008 financial crisis, where mergers and acquisitions started declining in many countries, among others the US. However as the markets and industries are recovering, mergers and acquisitions are happening more frequently and the frequency is increasing (Deloitte, 2014). Recent trends within merger and acquisitions are also that they tend to get bigger in size and value, and also more cross-border and globally than before (Goergen & Renneboog, 2004).

However, there is no universal way of integrating because of the lack of a generalized integration strategy. Therefore, companies usually come up with their own doctrine on how to integrate acquired companies. With more frequent, larger and more globalized M&A’s, integration becomes an even more important subject to address.

The following three articles deal exclusively with the subject of autonomy in some way. We have selected these articles because of their recent publication dates and their relevant findings and implications. These are the theories upon which we will base our hypotheses.

2.3 Determinants of Autonomy
According to Taggart & Hood (1999), there are two approaches to autonomy. The first is the process approach, which is how headquarters control activities, roles and strategies of its foreign subsidiaries. This tends to decrease over time when subsidiaries gain more experience, skill and also decreases as the subsidiary gain control over strategic resources. The second approach is the decision-based approach, which is how different decisions are being made. Companies are autonomous (subsidiary-based) if major decisions are being made by the subsidiary, and centralized (parent-based) if major decisions are being made by the headquarters.

These two different approaches have led us to develop the first hypothesis.

**Hypothesis 1:** Either decision- or process-based approach to autonomy has been used in the integration process.
Furthermore, the authors state that it is important that the subsidiaries are not too obedient, but should have clear goals and right amount of control over resources and strategies in order to meet their objectives, for the best possible outcome for both headquarters and subsidiary. In other words, a balance is needed. This balance could be reached over time by adjusting the appropriate amount of control from the headquarters, and appropriate amount of autonomy from the subsidiary. The right amount of control and decision-making is developed through a form of bargaining process.

In general, there are different factors that determine how much autonomy a subsidiary is granted. The headquarters are usually dominant in decisions (1) where central resources are affected or drawn upon, (2) where long-term obligations result and (3) where the decisions involve standardization and a common framework of organizational routines and practices. Also with more complex technology and more experience from the company management, headquarters control is generally increased. The faster the company is growing and the more integrated the company wants to be, the less autonomy granted to subsidiaries.

With a higher degree of diversification of the company, autonomy is generally increased. Autonomy also increases when subsidiaries are getting bigger and bigger. In general, autonomy increases when the subsidiary (1) was acquired to serve the local economy, (2) belongs to a small multinational group, and (3) has little interchange of products with headquarters or sister subsidiaries. Autonomy also increases when a big portion of the common shares are being held by local investors. Furthermore autonomy is also affected by the headquarters knowledge and perception of the local market, the more knowledge, the less autonomy. The authors also state that autonomy increases with the age and the level of employment of the subsidiary. Additionally, increases in sales are usually a sign of decreased autonomy, contrary to belief (Taggart & Hood, 1999).

The reasons for being autonomous and the reasons for being more centralized have lead us to the second hypothesis.

**Hypothesis 2**: When subsidiaries have autonomy, the determinants for autonomy suggested by Taggart & Hood are present.

As the Taggart & Hood also noted, with a higher degree of autonomy comes a higher degree of complex local innovation and R&D. Commonly this does not impede the same from headquarters,
but could, however, lead to a more dispersed product portfolio. Furthermore, autonomous subsidiaries were also much more export-orientated, because of the fact that they had more R&D. More autonomy generally increases the local responsiveness and makes the subsidiary less integrated into the headquarters network.

2.4 Integration Vacuum

According to Colman & Grøgaard (2013) there are two types of processes used to integrate. Both of the processes are required for a full integration and to be able to align the subsidiary to the global company strategy and also to achieve higher efficiency. The two processes are intertwined and one cannot completely be done without the other process. The first type of process is task integration, which is to integrate all the processes, activities and routines that are performed in companies. The second type is called social integration, which is to try to get the acquired subsidiary into the same way of thinking as the rest of the company, by addressing their values and norms, in other words integrating their culture and identity to that of the headquarters.

The fact that there are two different types of processes and that they are connected have lead us to develop our first hypothesis, since they are important in integration process of acquisitions by being the two ways of integrating.

**Hypothesis 3**: Both social and task integration has been used combined in the integration process.

The idea is that we want to be able to tell if companies actually are using these integration processes, to what extent they are used and how these approaches affect subsidiary autonomy.

Colman & Grøgaard further continues to say that despite efforts from management to preserve identity and culture from the target company, there are still tensions between integration and autonomy. Integration initiatives from managements are often met with resistance from the target company due to the fact that the company perceives it is losing its identity and autonomy, which creates a form of non-integration; an integration vacuum where neither party moves. Especially important is it to consider and carefully integrate targets with a distinctively different identity than the acquirer. Integration vacuum in other words is when the acquired target is opposing integration from the headquarters in areas such as product development, production, sales etc. Integration vacuum can therefore have huge negative impacts on both the social context as well as the task environment.
However, integration vacuum could potentially lead to bottom-up integration initiatives from the subsidiary and employees themselves which in turn helps with the integration process, albeit making it slightly different than planned. Some argue that this way of integrating, with power struggle, enables a better outcome than having a rational process, where one analyzes data and manages the entire process, despite it being perceived as disruptive to struggle for control. Furthermore, it enables a better integration adaption of both adapting to the headquarters global strategy as well as still being adapted to the local market, and keeping knowledge and characteristics unique for the target. It is critical to maintain some autonomy when considering decision-making, especially when the target has complementary resources or capabilities which could be lost if the target is fully integrated (Colman & Grøgaard, 2013).

The authors state that tensions between subsidiary and headquarters could exist, despite the headquarters best intentions not to create tensions leads to the subsidiary remaining autonomous and being resistant towards the headquarters. This leads us to our second hypothesis where we want to be able to tell if an integration vacuum exists or not because of resistance from the merger process.

**Hypothesis 4**: An integration vacuum has been created due to subsidiary resistance during the integration process.

**2.5 Subsidiary Desire for Autonomy**

Since we stated above that integration vacuum could be because of a resistance to integrate and therefore being more autonomous, we are further investigating why a subsidiary is resistant.

Autonomy in this paper is defined as described above in ‘concepts and definitions’ which is how much freedom a subsidiary gets from the headquarters in different areas, such as market decisions, strategic decisions and control. The opposite of autonomy is centralization, which means that the decision-making and control come from the headquarters. Subsidiaries often desire more autonomy than what is given to them by the main company (Homburg & Prigge, 2014).

Homburg & Prigge (2014) further state that subsidiaries particularly want more autonomy in market decisions (sales, marketing etc.), with focus on local markets and demands, because they believe they are more capable of adjusting to the market and have more market experience. While on the other hand headquarters generally want more control over their subsidiaries, in order to secure strategic alignment and have basic control of the activities and processes that a subsidiary is doing. This could potentially lead to conflicts between the subsidiary and the headquarters and
resistance to headquarters control, instructions and strategy from the subsidiary that damages headquarters-subsidiary relationship and harms the cooperation.

Our fifth and last hypothesis is based on the notion that subsidiaries usually desire more autonomy.

**Hypothesis 5:** Subsidiaries desire autonomy in their local markets where the headquarters have less knowledge and skills.

The more the subsidiary perceives the decision-making to be meaningful for them, and the more it perceives it is capable to make decisions on their own, and also the more relevant the subsidiary thinks it is to act effectively on the market, the more the subsidiary desires autonomy. The reason for this is that they believe that the subsidiary itself more effectively can make decision regarding its market, rather than having the headquarters making those decisions. However, the authors also note that while the previous is true, it is also true that the desire for autonomy decreases when the headquarters’ are believed to be competent. At the same time the authors argue that the control mechanisms from headquarters also influence the desire for autonomy, if the headquarters try to restrict the decision-making freedom of the subsidiary, the desire for autonomy increases (Homburg & Prigge, 2014).

In other words, companies should tread carefully when trying to integrate companies, too much control and instructions from a perceived incompetent headquarter will lead to subsidiaries wanting to be more autonomous instead of wanting to integrate. However, too little control might lead to weak results if the subsidiary management is incompetent.

**2.6 Summary of Hypotheses**

To summarize, we arrived at these five different hypotheses which we considered to be relevant - in relation to our purpose and research question - to test on our empirical data. These hypotheses are based on recent and/or prominent research and are therefore still relevant to test in new empirical settings. They are further relevant due to them deriving from theories which all are about the autonomy in subsidiaries during integration processes.

**Hypothesis 1:** Either decision- or process-based approach to autonomy has been used in the integration process.
Hypothesis 2: When subsidiaries have autonomy, the determinants for autonomy suggested by Taggart & Hood are present.

Hypothesis 3: Both social and task integration has been used combined in the integration process.

Hypothesis 4: An integration vacuum has been created due to subsidiary resistance during the integration process.

Hypothesis 5: Subsidiaries desire autonomy in their local markets where the headquarters have less knowledge and skills.

With the first hypothesis we wanted to see what type, or both types, of approach to autonomy or way of integrating that was the most prominent in our study. We thought it would be interesting to test if there could be a difference in the amount of autonomy given depending on what type of approach to autonomy or way of integration the studied companies have.

The purpose of the second hypothesis is to see if there were integration present or if the subsidiaries were completely autonomous, according to theory. This was tested through the different reasons or criteria explained by Taggart & Hood and to see if those reasons were the case of integration or autonomy in our study. Basically, we wanted to prove why some subsidiaries were autonomous, why some were integrated by using that theory and how this affected the integration process.

The third hypothesis deal with another theory by Colman & Grøgaard regarding what types of integration a parent company can employ. This hypothesis has a complementing role to the first hypothesis to give more nuance and tools to explore and clarify the nature of the subsidiary autonomy and how it affects the integration process. By testing different approaches to integration, the integration process will become clearer and subsequently the effect of autonomy will also become clearer.

Integration vacuum is a new theory with additional angles to why subsidiaries not become fully integrated. It being a new theory made us think it being interesting to study and test it in a new environment. We wanted to study if the theory could have any explanation to why the integration was a potential failure, or any explanation to why it was experienced as a failure, or harder for the case company to integrate its subsidiaries. Integration vacuum also explains why some
subsidiaries have unintentionally more autonomy, as a result to resistance to integration, which makes it even more relevant in our study of how autonomy affects the integration process. The last hypothesis was formed as an additional point of view to the study as seen from the subsidiaries point of view. The idea was to study their perception of the integration process, to see if the failure was because of the case company’s lack of knowledge and therefore autonomy desire from the subsidiaries as theories suggested.

In summary, the logic behind the hypotheses are to investigate the effect autonomy has on integration processes by testing the theories we have presented above. All of the hypotheses deal with the overlying theme of autonomy versus integration efforts. The theories upon which the hypotheses were formulated, were chosen for their relevance to our purpose of investigating the role of the acquired subsidiaries’ autonomy in the integration process.

3 Methodology

In this section, we will describe how we collected and analyzed our empirical data and why we chose our specific ways to do so.

3.1 Design

3.1.1 Research Design

We have chosen to conduct a deductive study in our thesis. A deductive study formulates hypotheses from existing theory and testes those hypotheses on empirical evidence. The hypotheses are then concluded to be right or wrong and a discussion may be had as to why the results in question occurred (Bryman & Bell, 2007).

Subsidiary integration is a well-researched subject and there are a multitude of articles and theories regarding the phenomenon. A deductive approach is preferable when there is an affluence of research on a subject (Research Methodology.net, 2015). Our hypotheses are mainly based on new research from the last three years which need further empirical testing, and also an article which have been cited by many other prominent authors since its publishing. This gives our thesis relevance since the recent theories are in need of more empirical data and the often-cited one would benefit from testing in a unique case like the one we provide.

To achieve the purpose of this thesis we will conduct a study by testing five hypotheses that we have derived from three articles that deal with the factor of autonomy in M&A processes. These
theories which we will base our hypotheses are upon are all published within the last three years and therefore more empirical testing is needed; or prominent (referred to by at least 5 other articles within the school of thought) which makes them valid choices to test in new settings.

However, since our hypotheses are qualitative in nature, there are bound to appear findings or answers that do not correlate with the hypotheses. All findings and deviations from theory will be discussed in order to thoroughly test said theory. Therefore, the study contains inductive features in addition to our deductive approach.

In conclusion, this study is primarily deductive but with inductive features. We hope to contribute to existing research by testing hypotheses and later discussing results and further implications of the relation between the empirical findings and the theory.

3.1.2 Qualitative Approach
This thesis will have a qualitative approach. This means, roughly, a focus on words rather than numbers and statistical data. A quantitative approach, on the other hand, focuses on numbers instead of words (Bryman & Bell, 2007). Since we are looking for sentiments, routines and other variables that are hard to quantify or code into numbers, the qualitative approach suits our interest best.

Also, the qualitative approach is the main reason for the inductive features of the thesis. There is a risk that our hypotheses will not correspond with the empirical findings. If that should be the case, we will discuss the relation between theory and findings from another angle; therefore the inductive features.

Since this is a qualitative thesis, the autonomy and integration outcomes will be interpreted by us and measured according to the saturation of the answers in order to answer the hypotheses.

3.1.3 Hermeneutic Approach
This thesis has a hermeneutic approach. Hermeneutics is the science of interpretation in text and social contexts. It can also be used to interpret human behavior in organizations (Lavoie, 1990).

This hermeneutic approach helps to explain that this thesis and the findings we make are our interpretation of the empirical data and the theories we studied. We do not aim to make conclusions that are normative truths or offer optimal decisions for companies in an M&A
process, but rather to investigate the phenomenon of subsidiary autonomy. We would also like to point out that the empirical data is based on the personal opinions and experiences of the informants, which can create bias. A downside of this is that we do not have any informants from the subsidiary companies in the Case Company’s organization. However, we received enough saturation in the answers to be able to draw conclusions and see connections.

3.1.5 Data collection through Case Study
We have chosen to collect our data through a case study of a global company. A case study is an intensive study of a company, phenomenon or place over a short period of time (Bryman & Bell, 2007). Conducting a case study will give us empirical data to help us test our hypotheses while at the same time having research space if the findings do not match our hypotheses. By research space we are referring to the already mentioned inductive features of our thesis.

3.2. Selection
3.2.1 Choice of Case Study Company and Scope
When choosing a fitting company to use as a case study, we had certain criteria to have in mind. Firstly, since we are investigating integration outcomes, the company naturally had to have conducted several integration efforts and M&A processes. Preferably these mergers and acquisitions should have been made during the last ten years. This would allow us to more effectively study the effects and consequences of the mergers in the subsidiaries that were acquired. This is because the informants might more easily be able to recall the mergers if the timespan is shorter.

Secondly, the company should be situated in Sweden to allow us easy access to in-person meetings and interviews. Personal interviews offer more depth and expression in e.g. body language (Bryman & Bell, 2007). Since our thesis has a global perspective and we need to get in touch with people in other countries, not all interviews will be possible to conduct face to face. This is only natural, but we strive to meet as many informants in person as possible.

Thirdly, the company should be knowledge-intensive to allow more nuance into the thesis. The work that is conducted by knowledge-intensive companies is described by Alvesson as “The core of activities in these companies is based on the intellectual skills of a very large proportion of the labour force deployed in development, and often also in the sale of products and in service work”
(Alvesson, 2009). A knowledge-intensive case study company will be more multifaceted than a company that is less knowledge-intensive; this will provide us with more nuance in our research.

Through these criteria, we found a technological company, which we are referring to as the ‘Case Company’ in this thesis. We came in contact with them through personal contacts, and after analyzing the company, we found it to be a suitable candidate for our thesis. The Case Company is a small multinational company and have performed several mergers during the last 10 years, which will provide us with suitable empirical data. In this paper we are focusing on their five major acquisitions between 2004 and 2011. These include companies from Southeast Asia, Europe, and United States. The purchase prices for the acquisitions have ranged between 100 MSEK to 400 MSEK. We are focusing on them since they are the most important ones, in terms of both money spent on the purchases and statements from the senior management (Human Resources, 2015; CFO, 2015). A downside with focusing on the biggest or most important acquisitions could be that the Case Company acts differently when integrating smaller acquisitions. We are focusing on the important subsidiaries mentioned above in general terms, unless something else is stated. Furthermore, we are focusing on the reflections from the top managers about this period and the period shortly thereafter. The Case Company has chosen to be anonymous; however, the Case Company and its subsidiaries are further explained in the empirical findings.

In order to increase the width and depth of the research we, along with people in the Case Company, came to the conclusion that benchmarking is beneficial for us. When deciding what companies to benchmark to we had further criteria. Firstly, the companies were supposed to be similar to the Case Company. By that we mean that they should be technological companies with a lot of knowledge about their specific area. Secondly, the companies were supposed to have, presently or in the past, a M&A strategy so that we can compare and analyze differences between the Case Company and the other companies - in how much autonomy the subsidiaries are given, and how that affects the integration process.

In order for us to find suitable companies we asked the Case Company for assistance and if they had any potential contacts that we could use, or if they knew about a company that met these criteria. We received good feedback and response from them, and we were able to benchmark three companies that matched our criteria. These companies also chose to be anonymous and we will refer to them as Company A, Company B and Company C respectively.
Company A is a small technical multinational mixed Scandinavian company with highly specialized technological production. They have operations in several countries all around the globe and have been expanding both organically and through mergers and acquisitions. They have a vast amount of experience with M&A processes. They have conducted a cross-border and domestic merger and acquisition strategy the last ten years and are a knowledge- and technological intense company, which makes them relevant to our research.

Company B is a large multinational company from Sweden. Company B is also a highly technological company that produces specialized solutions and products with operations all around the globe. The company has had a merger and acquisition strategy from its foundation to present day, but has been expanding and growing organically as well. Their mergers and acquisitions have been both within the same country as well as cross-border.

Company C is a French medium to large multinational company with major operational units in Sweden. As the previous benchmarking companies and the Case Company, Company C is also a multinational company and operates globally. They started with their merger and acquisition strategy during the early 2000’s, which has continued through to present day. They are also a technological and knowledge-intensive company.

3.2.2 Informants
Bryman & Bell (2007) state that it is not the number of people that is important, but rather the material and data that is received through the interviews. While the data is the key and most important thing, we still figured we wanted, and possibly needed, a, for us, comfortable number of people in order to strengthen our findings and research in both width and depth.

We have chosen to interview informants from three different groups. These three groups will give us different perspectives on our hypotheses. The three groups are following:

The first group is the Swedish senior management team of the Case Company, including the CEO, the CFO and VP of Business Development, the VP of Human Resources, the VP of Global Operations, and the VP of sales in Scandinavia. We will refer to them as CEO, CFO, Human Relations, Global Operations and Sales Scandinavia respectively. We chose to have the senior management team as the primary group due to their wide knowledge about the company, the subsidiaries, and that they are acknowledging the issue with integration and trying to adjust their strategy. The senior management also have a huge source of previous experience, which they
make use of. Furthermore, they are working closely with the issues of integration, directly or indirectly and most of them have also been a part of the M&A strategy of the Case Company. Additionally, some of them are specialists in integration and have been brought to the company because of this reason.

The second group are the Chiefs of Operations in APAC, EMEA, and the Americas. In the thesis they will be referred to as APAC, EMEA and Americas respectively. We are interviewing this group because we want to investigate autonomy in the subsidiaries, and they are closer to the subsidiaries than the previous group we interviewed, in order to give further perspectives and a more correct view of the role of autonomy in the integration processes. The people in this category are working closely with the integration process. They are something of a bridge between the subsidiaries and the corporate headquarters.

The third group are members of the management teams of the benchmark companies. In addition to the criteria of company to benchmark we also had criteria for the people we were supposed to interview from those companies. The criteria were that they were supposed to work closely with the integration process. The people we interviewed, one from each company, were all highly experienced in mergers and acquisitions and had a vast amount of knowledge in that area. They will be referred to as informants of respective company.

This will lead us to have a total of eight people from the Case Company and three people from the companies of which we benchmark. We figured that this would be a sufficient number of people, and that they would be able to give us enough material for us to be able to conduct our research in a satisfactory way.

The interviews have been conducted in three different languages: Swedish, English and Danish. We have taken the liberty to translate the answers and quotes in this thesis to English with the intention of not changing the meaning or context of the answers.

### 3.3 Interview guide

The questions in the interview guide (Appendix 9.1) are divided into categories and will be explained and argued for here:

**Background** - The purpose of these questions are to establish the role of the informant in the company and therefore their relation to integration efforts. With this information, we could ask or
change later questions in order to go deeper in different subjects. For example if an informant was stationed at a subsidiary, we could ask more specific questions regarding that specific integration process; timespan, specific measures etc. This helped getting more information regarding the hypotheses and the specific measures that those were aimed at investigating e.g. process-based integration.

Global Strategy - This single question was to establish as to how the global strategy of the company looks. If mergers and acquisitions are a significant part of the company’s global strategy, that would help us in getting greater answers for later questions about integration and autonomy.

Mergers & Acquisitions - These questions’ purpose was to go in-depth with the larger thoughts on mergers & acquisitions if the global strategy question had not provided us with satisfactory information.

Integration Strategy & Process - These questions deal more with the subject of autonomy and integration efforts. The purpose behind these questions is to investigate the relation between autonomy and integration, e.g. if they can co-exist or if they are incompatible and the nature of subsidiary autonomy. These questions are directly related to the purpose of this thesis; how autonomy affects the integration process which made this section of the interview the most important. The answers to these questions are what the majority of the empirical section is based on.

After these sections of questions, a final open question was asked regarding if the informants wanted to add something to the subject discussed. This question was often very rewarding in terms of answers. We avoided explaining the theories in our hypothesis during the interviews to not create bias and instead let the informants speak in their own words. The answers were then analyzed after the interviews to compare the actual empirical situation to the theory upon which our hypotheses were based.

3.4 Data analysis
To analyze our empirical data we will firstly answer the hypotheses in our result section. Under the result section, only facts relevant to the hypotheses should be brought up in a compressed manner (Backman, 2008).
Next, we will feature a discussion section. A discussion section often begin with a short summary as of the hypotheses can be verified or falsified. Thereafter, the results will be interpreted, analyzed and discussed. However, anything that has already appeared in the result section should not be repeated (Backman, 2008).

In the empirical data section, we will categorize the empirical data into seven different categories that we constructed in relation to themes in our questions and the answers from the informants. This approach resembles to grounded theory where repeated concepts or phenomena are brought up and coded (Bryman & Bell, 2007). Grounded theory is however a mainly inductive approach while we use a mainly deductive approach where we test hypotheses. The result section is based on the hypotheses and categorized thereafter.

The main concepts in this thesis - autonomy and integration - are subjective. In order to analyze these concepts, we have searched for consensus among the answers. A strong consensus was constantly present among all informants. We have treated and valued all informants equally in terms of their answers, all opinions weigh in when formulating answers in this thesis. However, some informants were more privy to their companies’ integration activities which have resulted in them being quoted more often than others in the empirical section in the thesis. We have despite this strived to feature all informants. All interviews/observations were useful and have been featured in some way in the thesis.

Five of the interviews were transcribed. We regarded some interviews more rewarding than others in terms of empirical data e.g. Global Operations, and these were the interviews we chose for transcription.

3.5 Operationalization

To operationalize our main concepts in this thesis would be possible. To do this, we would have to create a valid scale, e.g. “how integrated is this subsidiary on a scale of 1-10?” This might have clarified our findings by making them more graphic and easy to access. However, we felt that this would not do our informants and their answers justice. For example, their answers regarding the success of certain mergers included so much nuance and ambiguity that coding them would be impossible. This is why we instead tried to report the answers qualitatively and therefore more truthfully.
We therefore studied the case company’s subsidiaries integration or autonomy based on the answers that we got and valued as the most relevant according to our hypotheses. We chose to ask a question and then waited for the person that was being interviewed to answer the question fully and describe as much as possible. Afterwards we described their views and answers to the questions in the ‘Empirical findings’ section, and while we did that we also analyzed the findings and matched them under the correct hypothesis in ‘Results’, according to us. As we analyzed the empirical findings we tried to be as objective as we possibly could, and weigh the answers as equal as possible. However, weighing the answers equally proved to be difficult as some people had more knowledge and were more involved in the process, therefore making their answers more relevant to our study and the fact that we might have been influenced by the people we were interviewing.

During the interviews we were both present. One of us handled the interview, while the other took notes and wrote down key times where the most relevant answers were given, while we recorded the interview. We did not transcribe the interviews together but rather separately and transcribed some interviews each before sharing the results.

3.6 Validity and Reliability

3.6.1 Internal Validity

The internal validity measures the causality of the study in question (Bryman & Bell, 2007). In other words, how sure can we be that the variables that we are investigating actually have a relation to the outcomes?

In our study, we will focus on our hypotheses in relation to the findings. However, we will bring up major discrepancies between the findings and the theory and discuss their impact. As mentioned before, M&A processes are highly case-specific and the variables in them are volatile. A variable that stays the same might yield two different results if exposed to two different situations. It is all about the context of the variables which makes it hard to speculate about the level of causality in the study.

3.6.2 External Validity

The external validity measures how well the findings of a study can be generalized. This is often a major criticism of qualitative studies (Bryman & Bell, 2007).
Since our thesis is of qualitative nature and mainly focuses on a single company, the results will be hard to generalize and to perceive as absolute. Instead we strive to create an understanding of the context in which we conduct our research. We create this understanding by testing hypotheses based on prominent research within our chosen research area.

The context in which we conduct our research is hard to define. One way to define it is multinational technological companies with several subsidiaries. However, creating a definition like this by the authors might give the opportunity for generalization which is to be avoided. The reader is given an opportunity to understand these companies in this specific light and hopefully that can aid in comparative purposes when similar studies are conducted in the future.

3.6.3 Reliability
Reliability measures if the result of a study is repeatable (Bryman & Bell, 2007). Can the same study be conducted and yield the same results more than once?

Once again, the qualitative nature of our thesis makes it hard to repeat. The many variables that spring from qualitative research make the results unique. If the study was repeated, other results might arise - it is all dependent on context.

4 Empirical findings
4.1 The Case Company
The Case Company was founded in Sweden in the 1970-80’s as a unit in a bigger company. They were focused on cooperation with a major global company. In the 80’s the business started expanding to neighboring countries in Scandinavia before being transferred to a new subsidiary, a couple of years later. They started developing their product portfolio, which was sold domestically and distributed internationally by other companies. The Case Company was highly successful in one particular area of their product portfolio and started building a customer base. They started establishing subsidiaries abroad in the 90’s, and started marketing and distributing in those markets (Case Company, 2015).

Today, the Case Company is a highly technological and global company. They have divided their operations into two different business areas: Area 1 and Area 2. Their biggest area is Area 1. Between 70-80 % of the sales within the Area 1 are their own product while the rest belongs to
acquired product portfolios. Within Area 2, they sell their own products exclusively (CEO, 2015; Annual report, 2013).

During the beginning of 2000, the Case Company was established as an independent company and listed on Stockholm Stock Exchange with operations in Scandinavia and the USA (Case Company, 2015). When becoming a public company they got a new ownership, which had a different vision than the previous one; a vision based on expansion. This initiated the start of their major expansion phase, much of which was done through an M&A strategy. From then on companies from countries all over the world were acquired, particularly in Southeast Asia, Scandinavia, America and Europe. Five of the acquisitions are more prominent than the others, and these are the ones focused on in our thesis (Case Company, 2015).

The Case Company has been divided into two main areas, Area 1 and Area 2, which was mentioned and described above. Two, Scandinavia and one of the Asian, of the five major acquisitions are under Area 2, while three of them are under Area 1. Area 1 has further been divided into geographical regions, APAC, EMEA, Scandinavia, and Americas. The three acquired subsidiaries in Area 1 are from Europe, America and Southeast Asia. These geographical areas are all supported by a common operations support.

When we, in this thesis, are talking about subsidiaries we are referring to the five major acquisitions described above, made by the Case Company that were acquired during the period of 2004-2011. These are the largest and most comprehensive M&A processes and therefore most empirical data can be gathered around these.
4.2 Case Company’s acquisition motives

The Case Company’s wave of acquisitions started in the mid 2000’s, when their first acquisition outside of Europe was made. The main objective at this time was geographical expansion; the Case Company had exhausted their markets in Scandinavia and looked to get a foothold in new markets. Now instead of establishing themselves in those markets, they chose to acquire companies. The Case Company simply wanted to get a foothold and a starting point in the major markets in their industry.

“The reason for acquiring these companies was clearly geographical expansion, it wasn’t so much technological similarity or technological jumps for us.”

(Human Resources)

“Geography was the driver.”

(Global Operations)

“It (the motives) has been a combination of market and complementary products.”

(CFO)

The Case Company had reached a domestic market share around 30 percent that was stable and steady. At that point, it was rational to look beyond the domestic market for the desired expansion.

“It is more difficult to go from a 30 to 31 percent market share, than it is to go from 5 to 6 percent. Now at this point you can either do a “greenfield” and start anew in a different market, or you can acquire a company to get a kick-start. To acquire companies is a pretty common expansion strategy for industrial players like us.”

(CFO)

When looking at potential acquisitions, the Case Company looked for a range of traits in these companies. As mentioned, geographical expansion was the foremost reason. However, other synergies were taken into account as well. The product portfolios of the acquired companies were a factor; the Case Company looked for complements to their own portfolios. They also reasoned it
would be easier and more beneficial for them to acquire companies which had similar compatible products to themselves, but still not exactly the same.

“If we look at the product portfolios of the acquired companies, they were all complimentary to us. We have our segment in the industry and some of the acquisitions were in the low cost segments, while other were in the high cost segment. So geography was the main thing but the acquired product portfolios were of a strong, complementary fit to us.”

(Global Operations)

However, the purpose of the acquisitions seemed to get lost along the way. The wave of acquisitions that started in the mid 2000’s went too fast and the careful planning of the first ones gradually disappeared. When some acquisitions were made, the Case Company entered a new line of business, Area 2, and therefore moved away from the Area 1 in which they had 30 years of experience. This, for some, was an irrational move. They moved away from geographical expansion and began a product portfolio expansion.

“We entered the Area 2 just because of the purchase of one of the companies. To me, the reasoning behind that is quite unclear since that is a totally different thing with little overlap on Area 1.”

(CFO)

“The purchase of some companies at that specific point is a great mystery to me.”

(APAC)

If the Case Company would have acquired new companies today, they would have chosen a different, more direct, approach to what company to acquire and what objectives to have. As one of the informants put it:

“The easiest, or only, way to precisely measure the success rate of mergers and acquisitions is through cost synergies, which is why companies should focus on synergies that are about costs, for example scale economics. It is harder to measure synergies in, for example, sales, and research and development, since it is not clear what caused the effects in those areas.”

(Global Operations)
4.3 Case Company’s integration strategy

The Case Company’s integration strategy was rather unspecified the start of the acquisition period. During some of our interviews, the existence of an integration strategy or process has even been questioned. There is no written or concrete plan for the process as a whole. It appears the Case Company has conducted the integration like that of a holding company.”

There is a general consensus in the senior management team that the integration process should have started sooner. They all agree that the Case Company have lost their ”windows-of-opportunity” where the acquired company is expecting change. When nothing happened the acquired companies got used to the way that they are working on is correct and continued their ”business-as-usual”.

“There are two integration strategies to choose from when acquiring a company: either you run it like a holding company would do it and let it do its own thing while you are an active owner, or you acquire a company to fully integrate it into your company. What we have done within Area 1 is that we have mainly run things like a holding company with the exception of the R&D budgets. This is not a good strategy because if you do not integrate the product portfolios that you acquire, you destroy value. This has happened on a few occasions because of a weak integration strategy.”

(CFO)

“The only prior measurement of integration is that all subsidiaries aligned with some administrative parts, such as reporting to the headquarters and ... As long as the subsidiary met the financial criteria set up by the headquarters no further integration process was being made.”

(Human Resources)

However, in 2013 when the unit called Global Operations started, the integration process got more structured. The Global Operations’ task is to maintain a global vision, global R&D and product portfolios within the Area 1 leg of the Case Company.

“2013 we started performing the integration efforts that should have been done five, six years ago. Before this, the Case Company was a confederation of a number of autonomous units.” (Global Operations)

The Area 2 side of the Case Company is of no greater integration interest to the case company. However Area 1 of the Case Company is the main target for integration today. The goal is full
integration including e.g. mutual offices, values and norms. Since 2013, the work has been underway through the Global Operations unit.

“We want to achieve full integration within Area 1.”

(APAC)

Today the integration plan is a lot clearer than it was previously. However, it is also harder for them to integrate, according to themselves, because they have lost the momentum from the acquisition, and their window-of-opportunity. They have, as mentioned, created a Global Operations Unit with the intention as serving the entire Area 1. They have also decided which products from the headquarters and subsidiaries that they want to keep, and have started to phase out the products that are non-desirable. The Case Company will be doing this periodically and systematically over time in order to not lose customers. The reason is that they want a more globally standardized product portfolio in Area 1. The idea is also that this will create some synergies, due to them having fewer production sites and consolidating their procurement of materials, products and such.

The biggest challenge with integrating is that there is a big cultural and linguistic difference between different parts of the world, for example that you need a translator at meetings in Asia even among top management. This leads to less bonding and that you lose the ability to communicate effectively. In the Case Company’s view, creating a good relationship and meeting in-person is a key to integrate, which is why they have been trying hard to overcome the challenges described above.

“I was in Asia considerably more during my first year here than my predecessor was during five years.”

(Global Operations)

He continues by explaining that how are you supposed to effectively integrate and make yourself understood, when you do not understand the ones you are trying to integrate, and that it is easier to reach understanding when you meet face-to-face.

Much effort has been put into aligning the subsidiaries and headquarter into one direction after the Global Operations unit was founded. This costs time and money since the integration process is a lot easier when you meet personally. Simply speaking the same “language”, i.e. measuring things
the same way and having a good relationship, is very useful in an integration process. That is why they are distributing the same message to every employee over the entire company, in person face-to-face during meetings, once every quarter.

"The idea is to get one common organization, one set of values, one image, one message. To make the company have the same journey.”

(Global Operations)

Before that, the perceptions of what integration was, were much simpler:

“Earlier, the idea of integration was just to have the company logo in the PowerPoint presentations.”

(CEO)

The Case Company have also replaced a few people in the subsidiaries’ management teams, but not that many. Most of the time, these have been people coming from outside of the organization, however they feel like they have not done this in a large scale.

“We believe in the local management and their knowledge. It could be good to have someone from us out in the acquired company for a while but we are too small and have insufficient resources for that to work.”

(CEO)

The management team perceives that later acquisitions have succeeded better than the earlier five major acquisitions dealt with in this thesis. They reason that an explanation could be a more clearly defined integration strategy and objectives now compared to previously.

4.4 Autonomy in subsidiaries

“Historically they (subsidiaries) have received a lot of autonomy.”

(Global Operations)

The management group agree that the acquired companies have been left too autonomous and that there has not been any major integration efforts from the Case Company to integrate them. The
subsidiaries have received almost completely autonomy as a result of the Case Company’s weak integration efforts rather than a conscious decision, according to the management team.

“The autonomy the companies have been given might as well be a result of a weak integration plan as it might be a conscious decision.”

(Human Resources)

The subsidiaries have received autonomy and freedom as long as the results have been achieved and they have met the financial criteria from the headquarters. When the results have declined, the Case Company have been pushing for better results, but not really any proper integration. Some of the management team also states that the Case Company have basically let the subsidiaries run by themselves, as they were running business before the acquisition. They explain that either you have to take care of the technology that exist in the companies, or create a platform in order to push your own products out in that market. None of this has been done by the Case Company, but they have let the old technology stay put in the subsidiaries without using it, resulting in that work has continued as it did before the acquisition.

In general, the informants all agree that the integration process so far has been touching the surface rather than in-depth integration. There are however some things that have not been allowed. For example they are not allowed to purchase products, which exist in the company, outside of the company even though that might be cheaper. Some other minor efforts to integrate have also existed, mostly in terms of administrative parts and reporting, but they all agree that it has not been enough and the result has been autonomous subsidiaries.

“The strategy that the subsidiaries will take care of themselves and be autonomous have worked pretty well and the results have been good. But it comes down to what you want from the future, the Case Company wants to be a global actor with a global portfolio and in that case that amount of autonomy does not work. “

(CEO)

Today, the plan or idea is that the Case Company wants their subsidiaries to have autonomy in some matters, while in other matters the subsidiaries should not have much autonomy. When it comes to their regional tactical decisions regarding local market decisions such as sales, marketing etc. the subsidiaries should receive autonomy in order for them to be as effective as possible on the market. However, not autonomous in a way that would interfere with the overall
global strategy of the company, for example if some products should or will be removed while other products should be sold in that local market.

The parts of the company that are supposed to be more autonomous should, of course, also be integrated in a way so that they share the same vision as the rest of the company. Making sure that the entire company “speaks the same language”, i.e. measures things in the same way or same basic communication, is a good example of a way to reduce autonomy and increase integration, even in areas that are supposed to be autonomous. However, even though they want to integrate more, the management team have a consensus that they want to keep the local cultures, and the local identities of the subsidiaries.

The reason for the Case Company wanting to be more integrated is because they want a more global strategy and as they stated:

“We want more synergies between the different subsidiaries and headquarters of the company, and it is hard for synergies and autonomy to go hand in hand.”

(CEO)

The CEO explains that the Case Company either wants to integrate completely and get the synergy effects from it, or alternatively buy a company that has different technology and business area, which is why the integration question is not as important when it comes to for example subsidiaries in Area 2.

As explained earlier in the thesis the Case Company has two different business areas, Area 1 and Area 2. Area 1 is the one that is supposed to become integrated into the company while Area 2 should receive more autonomy, according to the management team. Area 2 has been given a great deal of autonomy as a conscious decision by the Case Company while Area 1 has always been supposed to be integrated into the organization completely. Area 2 will receive high degrees of autonomy, mostly because of different technology, competence, and a different business model. They will still have their own business and will not be affected by corporate headquarters. In other words, Area 2 sets its own strategy.

“Area 2 is completely different... To me, it is a mystery as to why we bought it because we did not have any knowledge about it. Today the subsidiaries under Area 2 are handled completely separate. We are quite passive in their strategy from the headquarters. As opposite to Area 1 where we are a lot more active.”
“They (Area 2) kind of have a life of their own.”

(Sales Scandinavia)

The reasons for Area 2’s autonomy are mainly their area of business. Area 2 is not part of the Case Company’s business heritage and knowledge within the organization is limited. The Case Company instead stems from the Area 1 branch. Also, the synergies of integrating Area 2 are too small to be economically viable.

“It is not of interest to us to integrate the subsidiaries under Area 2 because there are too little synergies, too little overlap. They go to the market in a different way, they sell in a different way and they have different communications with the customers than we have. There is no shareholder value in an integration.”

(CEO)

When looking at the Case Company, the acquisitions outside of their area of competence have succeeded extremely well, according to Global Operations. The informant further reflects that perhaps they succeeded because they are so autonomous and have been given the freedom to determine their own strategy. However, the management team believes that for companies with a lot of autonomy to succeed it depends on the leaders of those businesses, and the Case Company have been fortunate enough to have those good leaders in Area 2.

Within Area 1, the degree of autonomy can be divided into before and after 2013 when the support organization of Global Operations started. The plan for integrating the acquisitions in Area 1 was never present before the start of that unit and the subsidiaries had a great deal of autonomy due to confusion in the purpose of the acquisitions. However, they do have an integration plan now which was described in the section ‘Case Company’s Integration Strategy’. The management team further explains that they during future acquisitions wants to create a dialogue with the companies in order to discuss the integration process, and giving the acquired company some influence over the integration process but at the same time being able to control the entire integration process more than previously.
4.5 Subsidiaries’ view of integration versus autonomy

There is a great difference in the state of integration between the geographical areas today. For example, in the US, the integration has since 2013 been very successful.

“I would say that the Americas are almost fully integrated now.”
(Human Resources)

However, the American subsidiary witness of little or even no integration efforts at all.

“I have never seen an integration process over here.”
(Americas)

What is mentioned though, are the Global Operations and the global R&D section which works with combining or merging product portfolios in the geographical areas. These and the management team, which includes the VP’s of the different geographical areas, recurring meetings are mentioned as the particular events that have contributed to the current state of integration. However, during the interview it was also uncovered that bottom-up integration initiatives seem to be non-existent.

“I have not seen any integration efforts coming from the subsidiaries, I think that would be kind of useless actually.”
(Americas)

Other geographical areas seem to have promising integration results as well. The European subsidiary was acquired early in the M&A wave and has had a lot of time to figure out their integration into the Case Company group.

“I would say that the European subsidiary has reached the highest level of integration, maybe because they were one of the first acquisitions.”
(Global Operations)

The main reason for the difference in rate of integration is the differing views of integration in the geographical areas. In the US, a desire for integration seemed to be present and the main driver behind their good results. In Asia, on the other hand, the local culture is stronger and the desire lies with keeping the brands intact. The Case Company brand is not very established in Asia
which makes the Asian subsidiaries opt for their own, already-known brands. This keeping of Asian brands has made the already strong cultural identity even stronger. The Case Company realized this early and has adjusted its’ strategy.

“A local culture will remain. An Asian culture will be held as an Asian culture since it is so different from a European culture.”

(APAC)

Once again, the different integration goals regarding Area 2 versus Area 1 in turn affects the subsidiary autonomy.

“Within Area 1, we won’t give the subsidiaries a lot of autonomy in the integration process, which means that we integrate according to the global standard that we want.”

(APAC)

4.6 Perceived integration outcomes

As the Global Operations explains, it is important to know the reason for the acquisitions, because the reason dictates the preferable outcome you would like from the merger. Different reasons for acquisitions require different integration processes. They already feel like Area 2 has reached the outcome that they intended, because the reason for acquiring was different even though they might not have realized that at that point.

As most of the management team have stated that due to no integration process or strategy before, the subsidiaries have not been integrated. As mentioned, the view that more integration efforts should have been made earlier and faster is widely represented among the management team in the Case Company. The lack of integration has led to the acquired companies continuing working as they did before the acquisition itself as autonomous parts of the company. Most of the management team also agree that there is a challenge to integrate them, and they feel like there is some resistance among the subsidiaries now that they have started to integrate them, especially the Asian subsidiaries.

“If it goes on for too long, the local culture survives and thus becomes stronger.”

(Human Resources)
The integration is also harder because translators are required for some parts, due to language barriers and not everyone knowing English. Some subsidiaries are also experienced to be harder to integrate due to those subsidiaries having bigger cultural differences than others in comparison to the headquarters. According to the Global Operations, the integration is easier once everyone starts speaking the same “language”, in terms of being more and more aligned.

Among the management team, there have been various opinions on what parts have been most integrated into the company. While Human Resources thinks it is the Americas, Global Operations thinks it is Europe. But the consensus is that the belief is that they have been more integrated, despite lack of integration, due to them being closer culturally to Sweden, when comparing to other parts of the world.

Global Operations further claims that outcomes can be visible. If there is a good integration plan and follow-up, both on costs and profits, you can evaluate the case and how well that succeeded, if the objectives have been reached or not. However, that follow-up evaluation is not 100 percent true due to the potential outcomes if there would have been no integration, or in this case an integration from the start.

Global Operations further continues, without an integration plan or changing the management team, there can be no integration. In some ways the old subsidiary management teams are then simply trying to reach the set up financial criteria and profit goals, and nothing more. The Case Company used earn-out clauses in order for the subsidiaries to reach the financial goals. This led to trouble after the earn-out period as there had been no investments in for example market communication or increase of employee salaries, which had to be done after the period was over as those subsidiaries were behind in what was expected of them.

However, the management team are seeing signs that the subsidiaries are becoming more integrated now that an integration process is undergoing. As previously mentioned, a standardized product portfolio for the entire company has been made, and currently the process of replacing products with the standardized one is underway.

"Before we waited too long to use the technology or products in the acquired companies, or too long to give them ours. Now there is a standardized idea of the product portfolio which we are trying to implement.”

(Sales Scandinavia)
“Purely administratively we have noticed a difference. We have started receiving cleaner and
nicer balance sheets than before.”

(CEO)

At the same time most of the people we interview experienced that there had been no integration
initiatives coming from the subsidiaries themselves.

Recent smaller acquisitions have been perceived as succeeding better with the integration than
previous acquisitions. The senior management team states that the reason for that is a clearer
purpose for the purchase but most importantly a more defined and existing integration process,
with operational objectives and plans made in negotiations with the acquired company.

“Now we are using a more sophisticated integration process.”

(CEO)

4.7 Integration in benchmarking companies

4.7.1 Benchmarking - Company A

The motives behind Company A’s M&A’s are mainly that they want to expand by improving
their position in various geographic markets, but also to find new technologies and products or
reinforce their present ones. Therefore they are looking for similar or complementary companies
in the matter that they should be similar to their company, but complementary to their products,
industry or market. However, they are very careful not to pay too much for their acquisitions,
since they do not want to pay much money for something that is not worth it. That is why they are
growing organically in addition to their M&A strategy. Company A stated that:

“The companies should have a position so they add value or speciality, or potentially become such
a company without huge efforts.”

(informant, Company A)

Company A usually have ambitious and aggressive goals in order to succeed with their
integration. They follow up their integration process by measuring the progress with leading
indicators and evaluations. When they are integrating they have a view that the acquisitions
should receive a certain degree of independence. However, the degree of independence changes from acquisition to acquisition.

“We have a quite open view if we are supposed to brand everything to our company or to keep their present one. Oftentimes we keep a lot if there is a valuable brand or other value in the company. We are not 100 percent rigid in making everything into the same way as our company; to make it a copy of our company.”

(Informant, Company A)

Company A integrate by having a lot of people working close to the acquisition and working with the acquisitions, by placing their own people inside the acquired company in order for them to spread the company culture and make it easier to communicate and network between departments. However, they also keep the leaders and key people that are working in the acquired companies. The people that are in the acquired companies are also educated in the way Company A do their business, about their strategy and products, and adjusting administrative sides such as budgets and other processes etc., but also the values and culture of the company.

Company A believes that the key to their successful integrations is their flexibility. They are rather flexible in how much autonomy that is given to their acquisitions and that the amount is different from case to case.

“I think the flexibility is good, that we are not too rigid in pushing our model into the acquired companies too much. We are pragmatic and choose the best solution and not to box everything into a strict rigid structure.”

(Informant, Company A)

They adapt to what they consider to be the best for that typical situation and case. If the acquisitions have anything basic that needs to be taken care of it is better to do that first before trying to integrate them.

“It all depends on the acquired company and what suits them in order to integrate them long term.”

(Informant, Company A)
The integration process and business model is not the same around the globe, for example it is not the same for Western European companies as for South American ones. They do not have those strict lines from the headquarters how the integration process should look like, but the person responsible for the process takes the decisions in a way that he or she considers to be most appropriate. However they do have a dialogue with headquarters and the CEO. The subsidiaries are given a lot of freedom in regards to both tactical but also some strategic decisions, how much depends on the market and where the company is from.

“We have a philosophy where we try to move the decision-making as close to the customer as possible.”

(Informant, Company A)

However, one thing that is not decentralized is product development. It is generally centralized so that two subsidiaries does not research the same thing, but the products are being modified in order for them to work in all regional and local markets.

Furthermore, Company A explains what they believe to be the main keys to integration, which is patience and long-term thinking. They consider it important to not stare blindly at net margin, and other financial results but that the leading indicators are more important since they show how things are progressing in the integration process.

“An important thing is also what pressure or expectations you put on the subsidiary. How long it takes and how centrally you should drive it (integration) ... Patience with the results is important since an integration takes a long time. It does not move that easily.”

(Informant, Company A)

Even though Company A is quite flexible and patient when it comes to the integration process, they do consider it to be important to be straightforward and strict when they have decided to go through with something, for example removing parts that are not profitable. In that case they consider that it should be done in one cut and not remove piece by piece every now and then, in order to reduce uncertainty and making it easier for everyone involved. Furthermore, they state that it is important to have features of the old parts and somewhat mix them with the new in a balance between new and old, in order for the employees to feel secure and comfortable, thus reducing their resistance.
Despite all these efforts and the vast amount of resources put into the integration process, Company A still feels like the lack of more resources is their most noticeable weakness, since integration is such an important part they would like to put more resources into the process and it is easy to underestimate the time and resources needed.

Lastly, Company A feels like there are visible and noticeable initiatives coming from the subsidiaries themselves. For example people trying to adapt to the company’s products in terms of changing parts of the old processes and adapting to the material etc. without it coming from the headquarters at that time.

4.7.2 Benchmarking - Company B

M&A’s have been a part of the Company B since the foundation of the company, and they are currently developing an M&A strategy. Their motives for having that strategy is mainly that they want to acquire technology and technologic equipment, or products that fit into their business. In other words, in order for them to widen their product portfolio as they are buying complementary products. All of acquisitions that are being made should be able to fit into their business model and their offer for the customers, by being able to combine their previous products with the new. Company B has a very clear integration strategy that they consider to be in three phases.

“Our integration process could be divided into three phases. Phase one which is closing actions and the first day after the acquisition. … Phase two which is the 100 days after the acquisition, and phase three which is … a lot longer.”

(Informant, Company B)

Phase one is the closing actions, which is shortly after the acquisition has been made in the next few days. They explained that there are a lot of things that need to have to work, which are critical to deal with before moving on with the integration process. It is primarily related to control and customers, for example to notify stakeholders what has happened and get more control over the company. There is a list that they have with things they have decided that needs to be done as soon as possible after the acquisition.

Phase two is explained as the first 100 days or so; the days are not set in stone. Here is when Company B gets more insight to their acquisition and knows how it is de facto organized and company processes, administration etc. They stated that some of this you might know before acquiring a company, but far from everything due to not having access to it all.
A plan should be there for the new unit and how the interaction should look globally. Furthermore, practical details and functional aspects should be getting fit into their right place, such as how you are supposed to work and are working, during this phase. They state that the important thing is to formulate plans on when things should be done, and who should be doing those things. If the plans exist, as Company B says it:

“The question of when to implement... here and now or in the future... comes “secondly” as long as a decision has been made. However, it is important to be able to implement the plans too.”

(Informant, Company B)

However, they are clear on stating that some parts are considered to be more important to do first and more quickly than other parts in order to get things moving in the integration process.

Phase three is their last phase, it is a much longer phase. This phase continues for an indefinite amount of time. Process orientation is their key word in integration during their third phase. They say that they need to find a way to work, a way that describes how you are supposed to work in different areas or units, and do it consistently.

“The key thing is to work according to the processes, and get the acquired companies to work according to the processes, but it takes a long time. And it is a hard and tough process. Sometimes you have to take it little by little.”

(Informant, Company B)

Company B perceives that the most important part of M&A’s and integration processes is to establish an investment hypothesis, a business case for the acquisition, and to have a clear idea of which three basic things that is required to work in order for the acquisition to keep its value. These three pillars could be, according to them, anything from a person, to a client relationship, to a patent. A purpose of the integration process must be to make sure that these pillars is not lost during the M&A. However, they explain that during the integration process new factors might appear that changes the hypothesis and forces adaption from what the company originally wanted. But in general they believe that an integration process should focus on what is the most fundamental for the M&A to work.
Company B considers themselves to be highly successful in M&A and their integration. They think that the reason for this is their own process of how to integrate, their three phases. Additionally they also think that in time experience and professionalism also plays an important role, due to realization and understanding of what a good integration should be and what factors are crucial for a successful one. One of the keys to having a successful integration is in general not to pay too much for the acquisition, because overpaying makes it harder to be successful in terms of money and value.

When speaking about culture they see two different types of culture. The geographical linguistic culture and the culture between different-sized companies, it also depends on how international the company already is. Nowadays most companies become international so quickly that the understanding for international cultures have increased and difficulties to work cross-borders have become smaller than before, in Company B’s opinion, but at the same time they state that it is still not easy to overcome cultural differences as there are many factors that need to be considered and addressed. However, the biggest cultural difference is that between small and big companies. Company B sees noticeable differences in integration; it is easier to integrate technical companies than non-technical, as the engineers are connecting more easily than others. They also see differences in how easy it is to integrate when comparing smaller and bigger companies. Usually it is harder for smaller companies to get integrated due to them being used to a quicker process inside the organization from an idea to decision to its implementation, while this takes a longer period of time in a bigger company, such as Company B. Furthermore, the amount of money that is at stake is usually a lot higher in a bigger company.

“To go from a small company to a major company, that is usually underestimated. Mess it up in a project with one million euro, it is expensive. But messing up a project of 50 million euro could bankrupt a company.”

(Informant, Company B)

Company B is replacing some people in the acquired companies. They consider it to be both a positive and negative side to why. The positive side is that they more easily get integrated into Company B by having people who are more connected and more experienced with Company B out in the acquired company and working with them. The negative side is to establish more control over the acquired company, some companies takes shortcuts in building their company, which Company B considers unacceptable.
Company B’s view on autonomy is that there should be no autonomy in some parts, but that there is flexibility as well. They want no deviation in the way things should be reported and administered and similar areas, other than during the transition period when they are trying to adjust it. However, they also state that flexibility could be offered in other areas than the administrative side. Company B does give the acquired companies some autonomy during the integration process.

“It is important to allow the companies some time in order for them to adjust and adapt to us. But there are areas that are non-negotiable, such as corporate governance issues in for example child labour and bribes.”

(Informant, Company B)

The amount of autonomy granted to the subsidiaries, or acquired companies, is that they are granted the right to make tactical decisions. However, strategic decisions are being made by the segment that the acquired company will belong to, where the acquired company is one piece of the puzzle. The strategic decisions are then divided into smaller and smaller goals and parts until it comes down to the acquired company. Often the acquisition itself is part of the strategy from a segment and sometimes the M&A becomes successful out of reasons not even thought about before.

There are perceived to be integration initiatives from the acquired companies in Company B as well. Most of the times it is in order to get more benefits, in the way that they receive more resources or get the network to expand or develop their business, something they did not have the possibility to do before.

4.7.3 Benchmarking - Company C

Company C started their integration processes before the actual purchasing of the company with a due diligence. They also had negotiations with the companies they wanted to acquire, both companies had people meeting and they created the de facto integration plan together.

“Therefore we usually guided and controlled the negotiation process, the fact still remains that it was a combined effort. So that 1+1 equal more than 2.”

(Informant, Company C)
In Company C, the motives were mostly driven by synergies, in particular cost synergies, since their experience is that those are the easiest synergies to measure and control. Other synergies were not perceived as easy as cost synergies, and if they were received Company C saw it as an extra bonus.

“The cases (acquisitions) have to be based on costs, otherwise the risks are huge.”

(Informant, Company C)

After the actual acquisitions, Company C had a very clear integration plan (which they had developed in combination with the acquired companies). They knew exactly what they wanted to keep, what was supposed to be centralized and what parts would be removed. In general, the integration plan was a clear 90-day-plan and a brutal process to go through with it. They tried to go through with mergers as quickly as possible in accordance to their plan.

“We knew what to do after the signing. What people that were supposed to be removed, what products to keep and which parts that were to be centralized.”

(Informant, Company C)

They believe that there are multiple factors that are important in an integration process. It is important not to lose focus while integrating and to start with integrating instantly after the financial closing.

“It can never be an entirely introvert integration journey. The clients and customers are extremely important, you cannot not focus on them.”

(Informant, Company C)

Furthermore, they consider it important to be aware of that with each change there will be a slight resistance, and that when you do change something it is vital that those changes stick in the acquired company. However, a key to their integration, according to them, is to not be like a dictator but to have a dialogue with the acquired company in order to reduce resistance and keep the company motivated.

When asking about the freedom given to the acquired companies during the integration process, Company C answers that they believe it is important to give them freedom and autonomy, but at the same time be firm and strict. As stated above, a dialogue and participation in negotiations
from the acquired company is of great importance. The acquired company receives autonomy in their local markets.

“Sales must always be locally or regionally positioned.”

(Informant, Company C)

So a certain degree of autonomy must be there, but they also explained that a certain amount of control must be present. It depends on their strategy, if you have a global product portfolio or not, and if you are supposed to phase out some of the acquired companies products. Company C usually had one employee responsible for the integration process, because of all the work that needs to be done during the process. They considered it vital to have this, as the integration process is not to be underestimated.

When reflecting upon the M&A’s that have been made Company C states that the most important question to ask before an acquisition is “why?”, and continues by saying that the most successful M&A that have been made have had a very clear answer to why, and usually was related to cost synergies. However, they have also had unsuccessful M&A’s, which occurred when Company C left their area of expertise. Even though the new area was very similar things were done differently which had a huge impact on the success of the M&A.

“It is important to be very careful when you venture outside of your business area. When you do, you are more dependent on the competence and people of the acquired company, and sometimes they do not want the same thing as the purchasing company.”

(Informant, Company C)

5 Results

In this section the empirical findings will be categorized in relation to the hypotheses. The hypotheses will then be answered. The answers will be argued for.

5.1 Hypothesis 1

“Either decision- or process-based approach to autonomy has been used in the integration process.”
The usage of both process- and decision-based autonomy is valid for the Case Company. Historically, the Case Company have used them both, unintentionally. By not having any integration process they have been giving the subsidiaries autonomy and the right to decide their own path. They have also given the subsidiaries huge amounts of process autonomy in terms of only integrating the way they report to the headquarters and setting financial objectives for the subsidiaries.

Currently, in the middle of their new integration process, the Case Company has been divided into Area 1 and Area 2. Area 2 does not have any or very minor integration, i.e. they have both decision-based autonomy and process-based autonomy, as they are given complete autonomy in that area.

Area 1 is given autonomy regarding their local decisions. However not strategically, for example when it comes to what products that are supposed to be focused. This leads us to conclude that they are not given much decision-based autonomy.

Area 1 does not have much process-based autonomy either but they do have some. They are given autonomy to decide how to most effectively do activities in their local markets. However, as previously stated, the headquarters decide upon the global strategy and product portfolio. Furthermore, the Global Operations unit that support the subsidiaries in Area 1 standardize the way Area 1 works and its processes more than previously, and they also align the subsidiaries into one global vision. The Case Company integrate so that the entire company handles administrative things the same way, which also enforces standardization and reduces process-based autonomy. However, the subsidiaries will keep their culture and identity, and ability to best and most effectively act on their local market, which is why they are given some process-based autonomy.

**Company A** have a similar process- and decision-based autonomy as Area 1 in the Case Company. They have freedom and autonomy in their local markets to make decisions regarding it, but in general do not have any strategic control (they do modify products to fit the local markets), which makes the decision-based autonomy rather low. Company A further has low process autonomy due to them having standardized but modified products, and integrating the subsidiaries in administration and strategy, which reduces the process-based autonomy.

**Company B** has a clear process integration through the list of what to do and then, during the 100 days, trying to integrate the subsidiaries through processes and aligning strategically. They have
very little decision-based autonomy for the subsidiaries, but they are able to make some tactical
decisions. Company B’s list and phases during the integration process, where they dictate how
things will be made and who will make them, makes the company have little process-based
autonomy, in combination with the strategies are being formulated in the segment that the
subsidiary belongs to.

The subsidiaries from Company C receives some decision-based autonomy, in that they are able
to make tactical decisions, but they too have a rather low decision-based autonomy. The process-
based autonomy is also low, as the company has a brutal 90-day plan where things get centralized
etc., even though they develop this plan in negotiation with the subsidiaries due to Company C
guiding and controlling the entire negotiation process.

Conclusion
We see tendencies that the Case Company use both process-based and decision-based autonomy;
the extent to how much is used depends on business area. The more closely aligned with the
company or headquarters, the less autonomy is granted. This is true for all companies in our
thesis. If one of the approaches is used, the other one is used as well, even though this might not
be an intentional idea from the companies.

We verify the hypothesis in the way that both of the approaches are used combined.

5.2 Hypothesis 2

“When subsidiaries have autonomy, the determinants for autonomy suggested by Taggart & Hood
are present.”

As previously described there are two business areas in the Case Company. The idea behind Area
1 is that it is supposed to become fully integrated and receive little autonomy while Area 2 is
supposed to receive great or full autonomy.

In Area 1, the headquarters have central resources that can affect all subsidiaries in that business
area, for example the Global Operations unit, cost synergies, knowledge and experience. Another
central resource is the perceived, by the senior management team, good products from the Case
Company and some subsidiaries that all subsidiaries could be using. Furthermore, Area 1 also
involves standardization of the mentioned products and administrative sides, such as reporting and
standardization in the forms of support from the Global Operations unit. The technology that is used in the area is also highly complex and the headquarters have huge amount of experience in this particular area. All of these factors are factors that according to the theory should determine that Area 1 is fully integrated. However, the Case Company is a small multinational group, which according to theory should increase autonomy. Furthermore, Area 1 does receive autonomy in their local markets. The determinants therefore explains why Area 1 is getting integrated, but at the same time may receive some autonomy.

In contrary, Area 2 receives great or complete autonomy. Reasons for that include that the Case Company is a small multinational group. Furthermore, the subsidiaries under area 2 have little to no interchange with the headquarters or the subsidiaries as Area 2 is a different business area, and the headquarters have little knowledge about the industry that Area 2 operates in. All of these are determinants for autonomy, which is an explanation to why Area 2 receives complete autonomy.

**Company A** is a small multinational company. They buy companies that fit into their business model by having similar products or complementary, so in some cases standardization might work or central resources be drawn upon, while it does not in other cases. Most of their companies are supposed to serve the local market. These factors should give Company A’s subsidiaries autonomy. They do not give them complete autonomy, but they do give them more autonomy than the others companies in this thesis (excluding Area 2), based on the answers we received. However, they also stated that they are flexible in the amount of autonomy that they grant, so some subsidiaries where the determinants for autonomy are stronger the subsidiary could be granted more autonomy than in other subsidiaries where determinants for control are stronger.

**Company B** is a large multinational company, which according to the theory should reduce autonomy. They should have resources that can be drawn upon as a result of them buying companies that fit into their strategy by combining or enforcing current products. They do not make the products completely standardized, but the framework on how to work in order for them to be as effective as possible and being able to combine the products make the working process rather standardized. All of these are reasons for headquarter control, and Company B does not give much autonomy to its subsidiaries.

**Company C** does not give the subsidiaries much autonomy. However, they did not give any reasons to why, other than that they focus on cost synergies. Cost synergies is where costs can be reduced, for example economies of scale, which leads us to conclude that standardization is
possible or central resources can be drawn upon. Furthermore, Company C is a medium to large multinational company, with much experience in the business area, which reduces the autonomy granted to subsidiaries.

Conclusion
We conclude that the determinants for autonomy are present when a subsidiary is autonomous, in both the Case Company and the companies that we benchmark. We therefore verify the hypothesis.

5.3 Hypothesis 3

“Both social and task integration has been used combined in the integration process.”

Social Integration
The Case Company have used little social integration up to 2013 when Global Operations started. Before that, the subsidiaries were allowed to keep their identities intact in terms of values and norms. The idea of cultural adjustment was as mentioned in the interviews, basically to just use the new logo in PowerPoint presentations. The focus was on the more practical matters of the integration.

After Global Operations formed however, the social side of the integration have been more prominent. A global vision was created to tie the group together. This vision was then communicated frequently at e.g. the Global Operations meetings.

The earn out-clauses that were used in the Case Company’s integration processes can be seen as a major task integration measure. On the other side, the earn out-clauses seems to have been counter-productive to the social integration as a focus on the financial and economic goals have been prioritized instead of a working on cultural and identical integration.

Task Integration
In the Case Company, task integration was the almost exclusively used integration approach of the two before 2013. Reporting and meeting the financial goals in form of earn out-clauses are mentioned.
After Global Operations started in 2013, task integration was still the chosen path of integration for the Case Company. Things like standardization of the product portfolio, financial goals and a common R&D department are still mentioned as the major integration efforts conducted to create a homogenous organization.

**Company A**
The first benchmarking company considers their flexibility in the integration process to be their strength. This can be deemed as true considering they have clear signs of both social and task integration in their integration processes. The company clearly stated that placing their own people in the subsidiary is a part of implementing their specific company culture, which in turn is a big concern in their integration process. We can also observe task integration in the form of e.g. centralized product development.

**Company B**
In Company B, the task integration is heavily present. This takes expression in their process orientation in which they try to fit the new company into the group by aligning routines and processes. The fit is the focus in Company B’s integration work. The cultural fit is therefore also important. Company B states that their integration involves a lot of cultural work with a focus on that of non-technical companies since these are harder to mold culturally. These answers indicate a social integration as well.

**Company C**
Company C mentions their 90-days integration process as a big part of their integration work. That process is described as “brutal” and one of the major goals are cost synergies. This is straightforward task integration that aims to adjust companies to reach financial goals. They are, however, not completely rigid in the process and keeps a dialogue with the acquired company and takes their opinions in consideration. The integration process can then be argued to include some social integration.

**Conclusion**
In the Case Company, there are definitely signs of both integration types; social and task. The task integration seems to have been more focused however.

In the benchmark companies, the task integration also seems to be the main focus. It is disproportionate in relation to the social integration.
In conclusion, the hypothesis is verified. We have found both kinds of integration in all of our studied companies.

5.4 Hypothesis 4

“An integration vacuum has been created due to subsidiary resistance during the integration process.”

Case Company

In the majority of the Case Company’s subsidiaries, no major resistance can be detected. The Asian subsidiaries, however, seems to be more protective of their local culture and more resistant than the other subsidiaries. It is hard to judge if this is a conscious resistance or if the Asian business culture is simply severely different from the European business culture from which the Case Company has its’ heritage.

Prior to 2013 and the creation of Global Operations, there are however definitely signs of an integration vacuum. All informants in the Case Company witness of the non-integration that defines the integration vacuum. It is paradoxical that the integration vacuum exists since the informants also witness of no greater integration efforts prior to 2013 that could have been resisted. The vacuum that has been created seems to stem from the confusion when expectations from subsidiaries for change met the insufficient efforts from the Case Company to deliver that change or integration; rather than from a resistance.

Company A

Company A’s most prominent trait in M&A processes is flexibility. They specifically state that they have a pragmatic approach to integration and adjust if something does not seem to work out the way they originally intended to. This, per definition, means that they avoid the integration vacuum. Resistance is not met with aggression, but instead with pragmatism.

Company B

Company B puts much weight into their integration plan and its’ three phases. The second phase which spans across 100 days, is all about understanding the acquired company and avoiding misunderstandings. They also state that their investment hypothesis and purpose behind the acquisitions are important to avoid misunderstandings and problems such as resistance. Since they
have an extremely thought through purpose with their acquisitions and are almost always successful, integration vacuums are not likely to have been created.

**Company C**

Company C state that they have had a few unsuccessful integration processes. Those that were, were so because the company left their business area and had little knowledge of the acquired company's’ business. Their brutal integration process left little room for resistance and an integration vacuum. Company C has always knew what they wanted with their integration processes and an integration vacuum was not part of it.

**Conclusion**

The Case Company show signs of an integration vacuum. However, this integration does not seem to originate from subsidiary resistance but rather from confusion and unrealized expectations. So this integration vacuum is not the one Colman & Grøgaard describes.

Company A moves around the integration vacuum by utilizing their flexibility. Company B has a clear purpose with all their acquisitions and thus avoids the integration vacuum. Company C moves the integration process with a heavy hand and leaves no room for vacuums.

In conclusion, the Case Company definitely has an integration vacuum, though not stemming from resistance exclusively. The benchmarking companies have no signs of integration vacuums. The hypothesis is partly verified since an integration vacuum is present, but no subsidiary resistance.

**5.5 Hypothesis 5**

"Subsidiaries desire autonomy in their local markets where the headquarters have less knowledge and skills."

In the Case Company, the subsidiaries have been having a lot of autonomy historically, which is more due to a lack of integration rather than an active decision from the headquarters. The few integration efforts that were made were more on the surface rather than in-depth. The subsidiaries were granted almost complete autonomy, and they did or could not desire any more. Therefore there is not much that can be said about the hypothesis during that time.
Presently, however, the idea from the headquarters is that Area 1 will still have autonomy regarding their local markets while adjusting to the global strategy. The objective is to give the subsidiary autonomy over tactical decisions such as marketing and sales. The reason for this is due to lack of knowledge about those markets from the headquarters of the Case Company, but it is also believed that sales is handled more effectively on a local or regional basis. They will, however, not receive autonomy in a way that would interfere with their global strategy and objectives.

The subsidiaries will not control what products that are going to be sold or removed, only the selling itself. The decision of a standardized product portfolio comes from the headquarters to reduce costs and align the subsidiaries globally. This decision have led to more resistance from subsidiaries in the Asian region and a desire for more autonomy in the decision-making regarding the products, mostly due to the subsidiaries believe that their brands and products are better than those of the Case Company.

In Area 2, there is complete or near-complete autonomy and those subsidiaries are handling themselves, and the strategic decisions that come with it. The fact that the headquarters feel like they have little to no experience and competence in that line of business clearly affects their decision of allowing complete autonomy. Therefore no resistance will emerge, due to them having complete control. Resistance would most likely emerge if the headquarters would had tried to interfere with Area 2.

**Company A** is rather flexible in the amount of autonomy granted to subsidiaries. They adapt depending on case and situation. Their philosophy of having the decision-making as close to the market as possible leads to their subsidiaries having control over their market decision, except for the product development, which according to theory would lead subsidiaries to not desire more autonomy. As perceived by Company A the subsidiaries do not want more autonomy, at least not visibly.

**Company B’s** view is that the subsidiaries should have the right to make tactical decisions, while the strategic are made from headquarters, and also that flexibility could be offered in areas other than administrative sides. We interpreted that as the subsidiaries having control over tactical decisions, they have control over their local markets in terms of sales, marketing and similar
activities, except for strategic decisions, which goes in line with the theory of the subsidiaries desiring control over those areas.

Company B also stated that it is harder for them to integrate smaller companies due to the difference between a small and large company in terms of time passing from idea to decision, which we concluded as the smaller company wanting more autonomy or less integration due to them perceiving themselves as having more knowledge than the headquarters.

Company C’s subsidiaries receive autonomy in their local markets, the same as the other companies. Their belief is that giving the subsidiaries freedom to act in their markets, while still being strict in the integration process. They also have a dialogue which of course is beneficial where the subsidiaries can express their thoughts and ideas, which could be perceived by them as even more autonomy or influence over their own business.

**Conclusion:**
The hypothesis that subsidiaries desire higher levels of autonomy in their local markets where the headquarters have less knowledge and skills is true, and we verify the hypothesis.

**6 Discussion**
In this section, the findings that this thesis has made will be discussed and analyzed. The section will focus on the theories that we tested in an empirical setting and what implications our results have made in relation to those theories.

**6.1 Determinants for autonomy**
Determinants for autonomy in Multinational Corporation Subsidiaries, written by Taggart & Hood, was tested in the first two hypotheses of this thesis. Overall the results proved to be verified by the theory. However, we do have some points we want to make.

We hypothesized that either decision-based or process-based autonomy exist. It is hard to actually state that either one of them exist, due to the companies not really having an idea to what approach of autonomy they are using, even though the companies are granting some autonomy to their subsidiaries. Furthermore, the two approaches also have factors in common, for example strategy and strategic decisions. If tendencies exist for one approach of them it is likely for the tendencies to exist in the other approach as well. Most likely companies combine, intentionally or
unintentionally, autonomy of processes and decisions. If a subsidiary has a certain level of
decision-based autonomy it is likely that they also have a certain level of process-based autonomy
due to the two approaches to autonomy going hand in hand; they have common factors.
Furthermore, we argue that the two approaches enforce one another. The more one of them is
used, the more the other one is used.

We therefore argue that all autonomy granted to subsidiaries is a mix of decision-based and
process-based autonomy, or no autonomy at all.

We further conclude that the determinants for autonomy that Taggart and Hood presented are
determinants for autonomy to a certain degree. However, that does not mean all determinants for
autonomy have to be true for the subsidiary to be autonomous or that if one determinant for
autonomy is true the subsidiary will be autonomous. The determinants rather point in the right
direction if the subsidiary is autonomous or not.

The reason for that being that the determinants of the theory could weigh differently. By that we
mean that some determinants could have a larger influence on autonomy than other determinants.
Even though some of the subsidiaries have a purpose of serving the local market, the determinants
for control from the headquarters outweigh the determinant of serving the local market.
Furthermore, little interchange with the headquarters or sister subsidiaries could weigh more
heavily than if the subsidiary’s purpose is to serve the local market, which would explain why
Area 1 gets less autonomy than Area 2 even though both of those determinants should mean more
autonomy. This is also valid across the categories of determinants. Some determinants in the same
category of determinants, for example determinants for autonomy, in combination with
determinants in the other category or lack thereof, therefore together determine if the subsidiary
will be autonomous or controlled by the headquarters.

One thing that could have had major impact on the result and our research is the fact that the Case
Company had no integration process previously, while an integration process is assumed in the
theory. Without any integration process from the headquarters, subsidiaries might have been too
autonomous even though the Case Company had central resources to be drawn upon, but was not
drawn upon due to lack of integration efforts. The lack of an integration process obviously means
that the subsidiaries will be completely autonomous regardless of determinants that point to the
opposite. However with their intentions and what we has been seen since the process started we
do notice patterns of the determinants.
In conclusion, not all determinants have to be true in order for autonomy or integration to be true, and some determinants influence more than others. Furthermore, the two approaches to autonomy are used combined as they are connected with each other.

6.2 Integration vacuum

This article by Colman & Grøgaard was tested in hypotheses 3 and 4. Our results proved most of the implications in the theories but there were however some deviations from the theory.

The idea of social and task integration is wide can be applied to most integration processes. We had no larger problems of finding the both approaches in our empirical data. More interesting is how the two approaches were used in the companies that we investigated. The task integration was many times more prominent in our studied companies than the social integration. This can have a multitude of reasons.

Firstly, it can be industry dependent. The high-technological industries that all the companies we studied operate in, deal a lot with product portfolios. Introducing and phasing out certain product lines is a very practical matter that requires a heavy hand i.e. task integration. Doing this same work with mainly social integration would take longer time and this is an industry where time most definitely is money.

Secondly, task might be more efficient than social. Task is the more practical of the two approaches and when pragmatic results are concerned, it might be more effective in achieving those. Social in that case then becomes a complement that helps the integration process but does not act as the main driver. This seems as a likely case in relation to our empirical data. One informant stated that cost synergies are the only certain thing that you can gain from the acquisition of a company; another informant stated that loose integration processes can backfire a whole M&A processes. With this in mind, everything other than task integration might be a gamble in terms of M&A processes.

The actual integration vacuum is a more specific phenomenon than social or task integration. In the Case Company we definitely observed an integration vacuum. This seemed to stem from confusion and not from resistance however. The Case Company repeatedly missed their windows of opportunity, or the integration “honeymoon” as described by Colombo et al., in their integration processes. This is in stark contrast to the benchmarking companies who began their
integration processes almost immediately. From our informants we can conclude that great changes are expected, from both sides, during the first few months after an acquisition. If these changes do not happen, things carry on as normal and if integration efforts come later, a confusion arise as to what the purpose of said integration really is.

A peculiar thing about the current state of integration in the subsidiaries of the Case Company, is that even though there has been an integration vacuum, no bottom-up initiatives have been initiated. The same informants that witnessed of no bottom-up initiatives also denied the existence of integration efforts from the parent company. Where the integration has stemmed from is therefore a mystery. This integration vacuum from confusion has failed to produce bottom-up initiatives. The reason for this is most definitely the uncertainty as to what the parent company wants. It all boils down to a weak purpose with the whole acquisition. If you do not know what you want with an acquisition, the subsidiary will have even more difficulties with finding an integration purpose.

With all this in mind, we would like to propose an adjustment to Colman & Grøgaard’s theory of the integration vacuum. The phenomenon of an integration vacuum should be increased to involve confusion in the subsidiary as to what the integration process consists of. This confusion might stem from a lack of communication, as mentioned by Schweiger & DeNisi. This new integration vacuum might be lacking some of the original traits, such as the “Mexican stand-off” state and the resistance towards change. If confusion is the culprit, subsidiary resistance might or might not even be present. It is a whole new branch that we hope future research will deal with it.

6.3 Exploring autonomy

Our last hypothesis tested the subsidiary desire for autonomy from the senior management team’s perception. We came to the conclusion that it is correct that subsidiaries want more autonomy when the headquarters have little or no knowledge and skills about those markets. However, there are a few things we would like to point out.

Historically the subsidiaries of the Case Company have had autonomy, without any major integration efforts. Therefore there is not much to say about the subsidiary desire for autonomy during that period, as they already had as much autonomy as they could have. It is highly likely that the theory would have been correct during this time period too, if there would have been any integration process.
The subsidiaries want more autonomy when the headquarters are perceived to have little knowledge or skills, according to our results. The desire for more autonomy most likely lead to resistance against integration from the subsidiary’s side. This phenomenon was clearer in the Asian subsidiaries that perceived their product portfolio as better, and in turn that they could handle what should be sold in their market better than the headquarters, while the Americas and Europe could adapt more easily to a standardized portfolio. The reason for the desire being stronger in Asian subsidiaries could be that they perceive the decisions being of greater importance to them in comparison to other subsidiaries, or that the other subsidiaries have a different view of the competence of the headquarters. However, we felt like there could have been things that affected why the Asian subsidiaries had more desire and therefore more resistance.

The resistance in some subsidiaries could have emerged due to the Case Company losing momentum and the subsidiaries have gotten used to their ways of working is the correct one or confusion about the integration process, and not as a result of the subsidiaries wanting more autonomy due to little or no knowledge.

Furthermore, a factor which cannot be overlooked is culture. Culture could have a huge impact on the differences in the subsidiaries way of working, why some integration efforts could suit the subsidiaries differently, and also how much autonomy that is desired by the subsidiary. As described in the theory some control mechanisms might be easier to use in some subsidiaries than others, which would explain why it is easier to integrate some but not the others, and why there is more resistance from some subsidiaries.

As we are looking from the perception of the senior management team we cannot exclude that they have missed something from the subsidiaries or misinterpreted their intents.

A paradox is also that the Case Company want to integrate, but some subsidiaries desire more autonomy and as a result they become resistant to the integration, which in turn could make the Case Company put in more integration and control efforts which would reduce autonomy even more. This should also in turn create more resistance in the future. So, when a subsidiary is resistant and wants more autonomy, more integration or control efforts might be fruitless as the spiral will go on and on.
In conclusion, we say that the theory is correct. Subsidiaries desire autonomy when it is perceived as the headquarters have less knowledge about the local market than the subsidiary itself, and that the desire could lead to resistance.

7 Summary

In summary, the subsidiary autonomy has a great impact on the integration process and through testing these theories, we hope to have shed new light on the subject. We can see that these hypotheses and their results all have underlying reasons. One thing that we observed in our empirical data is that a clear purpose from the parent company is needed. If a clear purpose is present from the beginning, the integration has a much greater chance of being free from confusion and integration vacuums.

Another thing that is apparent in our findings is that as an acquirer or parent company, you should not lose your window of opportunity regarding the integration. If you do not act within the first year or less after the acquisition, the subsidiary assumes nothing big will happen and continues their old ways. This makes later integration efforts harder to justify for the parent company and problems arise.

If these two things fail, the autonomy in the subsidiaries remains as before or grows stronger. This will lead to a more difficult integration process when or if that process occurs later due to confusion or strong subsidiary culture.

7.1 Theoretical Contribution

This thesis aims to understand how subsidiary autonomy affects the integration process and does so by testing three different regarding the subject of subsidiary autonomy. Furthermore, a new view of the concept of the integration vacuum is presented that increases the applicability of the concept. The thesis also confirmed additional theories with some alteration about why a subsidiary is autonomous, as determinants could weigh differently and therefore affect autonomy or control differently, and what affects the desire for autonomy from the subsidiary more than the lack of knowledge from the headquarters.
7.2 Practical Contribution

This thesis does not aim to be a normative input in the M&A research area, but rather to shed new light on the existing research and to raise the question as of how to understand subsidiary autonomy.

Possibly, the findings can make subsidiaries better understand their role in the integration process and when to take own initiatives. The findings could also give senior management teams an idea of when to give autonomy and what effects that occur with more, or less, autonomy.

Furthermore, it may provide acquiring companies with the raising of the question as of what they want with their acquisitions. This thesis has brought forth the value of having a clear purpose with an acquisition.

7.3 Limitations

In this thesis we have only interpreted what the senior management teams and regional management teams perceives of the integration process and autonomy, and benchmarked this to other companies’ senior management teams. We have intentionally chosen their point of view, which makes us lack the subsidiaries point of view. The subsidiaries point of view would be interesting and relevant to some, if not all, of the theories we have tested in some regard. However, choosing not to have their point of view was intentional due to us lacking resources to conduct research on their perception as well as the perception of the headquarters. Furthermore, we wanted to conduct our research based on the headquarters perception of the situation.

We tried to overlook or bypass culture as much as possible, due to culture being so ambivalent. However, this did not work in all aspects, mostly due to culture having an impact on many of the factors and theories that we hypothesized about, but also due to the respondents answers that culture is important in integration processes.

7.4 Suggestions for further research

Future research about these theories could be conducted and tested in a much larger scale with more companies from various countries of origin in order to see if the findings vary between different parts of the world. It would be beneficial to see if these findings are limited to Sweden and similar cultures, or if the perceptions and ideas are different in senior management teams in other countries with different cultures.
Future research could be conducted with the point of view of the subsidiaries and main company at the same time, so both sides are understood and taken into consideration, in order to get a full picture of the situation.

Another interesting approach would be to conduct research in M&A’s that have integration vacuums and see if they have any initiatives to integrate coming from the subsidiaries. Bottom-up initiatives could also be researched in M&A’s that have succeeded in order to see if they exist in those integration processes as well and if there are any major differences.
8 References

Books


Articles & Reports


**Electronic Sources**

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**Information about the companies in the thesis**

Website & annual reports of the Case Company

Website Company A

Website Company B

Website Company C
9 Appendices

9.1 Interview Guide

Background

• Tell us about your history within the company.
• What is your role in the company?

Global Strategy

• Tell us about the global strategy of the company. How do you capture, create and deliver value?

Mergers & Acquisitions

• When did the company start with merging and acquiring?
• What are the company’s main motives behind their mergers & acquisitions? If they are case-specific, would you care to elaborate on them?

Integration Strategy & Process

• What does the integration strategy/process of the company look like?
• What are the potential strengths/weaknesses in the company and the subsidiary when considering the integration?
• Do you see any tendencies that some subsidiaries will be harder to integrate? If so, why?
• How is the relationship today between the company and its subsidiaries? Cooperation, same goals etc.
• How much are you planning on integrating your subsidiaries?
• How does the subsidiaries that you want to integrate look like in size, strategy, financially, resources?
• Have the subsidiaries been given much autonomy in the integration process? Do some subsidiaries receive more autonomy than others?
• What results are you looking for when you integrate or not-integrate/give autonomy?
• Is there causality between integration efforts and results? Can you be sure of as to what resulted, or not resulted, in integration?
• Do you replace management positions with your “own” people? If so, why?
• Who will be taking the decisions on the markets that the subsidiaries are operating in, the subsidiary itself or the headquarters?
• What are you afraid to lose if the subsidiaries are more autonomous? What are you afraid to lose if they are less autonomous?
• Do you see any integration efforts coming from the subsidiaries itself?

Final question

• Is there something that you want to add or that you think we should know?
9.2 “The ambivalent nature of autonomy”
Published in *Lund Business Review* den 20/4 2017
By Paul Krugman

The percentage of failed M&A’s today lies between 50-60 %. This percentage has been relatively constant the last 30 years. What is it then that still today proves to be the culprit in that the M&A’s are perceived to be failures? Daniel Nilsson and Love Löfvin Rosén suggest that it is inefficient integration processes. More specifically the struggle between subsidiary autonomy and HQ control in the integration.

The authors to “What integration process? - The role of subsidiary autonomy in global integration processes” aims to investigate the processual school of M&A research. The processual school is today the least investigated of all the schools in the M&A research area. Nilsson and Löfvin Rosén claims that the integration process is more important for the outcome of the M&A than what the focus of the existing research shows. The authors contribute to the research by focusing on the factor of subsidiary autonomy during the integration process. The subsidiary autonomy is a major factor in the success or failure of an M&A.

The thesis investigates subsidiary autonomy by testing three scientific articles regarding subsidiary autonomy. These articles are: ‘Integration Vacuum: Creating Action Space for Global Strategy Implementation in International Acquisitions’, written by Helene L. Colman & Birgitte Grøgaard; ‘Determinants of Autonomy in Multinational Corporation Subsidiaries’, written by James Taggart & Neil Hood; and ‘Exploring Subsidiary Desire for Autonomy: A Conceptual Framework and Empirical Findings’, written by Christian Homburg & Jana-Kristin Prigge. The hypotheses are as follows:

**Hypothesis 1:** Either decision- or process-based approach to autonomy has been used in the integration process.

**Hypothesis 2:** When subsidiaries have autonomy, the determinants for autonomy suggested by Taggart & Hood are present.

**Hypothesis 3:** Both social and task integration has been used combined in the integration process.
**Hypothesis 4**: An integration vacuum has been created due to subsidiary resistance during the integration process.

**Hypothesis 5**: Subsidiaries desire autonomy in their local markets where the headquarters have less knowledge and skills.

These hypotheses were tested in a case study of a major high technological company based in Sweden. The Case Company has been conducting several M&A processes in the last ten years. A qualitative method through semi-structured interviews with the management team was conducted in order to test the hypotheses.

The results of the study conducted by Nilsson and Löfvin Rosén are quite surprising. The theory of the integration vacuum by Colman and Grøgaard is verified but with a modification. Colman and Grøgaard state that when integration efforts are made by the parent company, and when the subsidiary resists these efforts in order to keep their organizational identity, an integration vacuum is created where no integration is made. Nilsson and Löfvin Rosén identify an integration vacuum but not through resistance, but rather from confusion in the subsidiary.

The other theories tested in the study was also confirmed by Nilsson and Löfvin Rosén, however with some minor alterations. The theory of what determines autonomy, by Taggart and Hood, was confirmed and stated that the determinants may influence autonomy differently; some factors may be more a more important determinant for autonomy than others. The two authors also confirmed Humburg and Brigge’s theory that subsidiaries want more autonomy when the headquarters lack knowledge, but that this might be because of other reasons too, for example culture.

In their conclusion, Nilsson and Löfvin Rosén state one of their most important findings is that the purpose of the M&A in the first place has a rippling effect in all aspects of the integration process. If the purpose is in any capacity unclear, the integration will suffer in terms of the area that the confusion or unclearness concerns. If the purpose itself is weak or if it is weakly communicated by the parent company, the subsidiary autonomy will grow stronger and affect the integration process.