A Scenario Analysis of Nissan Diesel's Purchasing Department Integration into Volvo 3P

- A Framework to Facilitate Successful Integration

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Executive Summary

Title: A Scenario Analysis of Nissan Diesel's Purchasing Department Integration into Volvo 3P **-** A Framework to Facilitate Successful Integration.

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Problem Discussion: Nissan Diesel became a part of the Volvo Group in the end of March, 2007. A year has passed and the integration process is making progress but it is perceived to lack some momentum. Our sponsor would like to understand if there are any potential barriers to the integration process.

(Haspeslagh, et al., 1991) and (Pablo, 1994) presents two different sets of determinants that can be used to decide the level of integration; *"difference in organizational culture"* and *"strategic task"* (Pablo, 1994) and *"Need for Organizational Autonomy"* and *"Need for Strategic Interdependence"* (Haspeslagh, et al., 1991). These two different sets inspire us to study differences within organizational culture and strategies and how these discrepancies might affect the integration.

Purpose: Our purpose is divided in two parts. The first part is relating to the integration of Nissan Diesel's purchasing department into Volvo 3P. The second part is concerning integration in a context outside Nissan Diesel and Volvo:

- The purpose of this thesis is to construct possible scenarios of the integration process due to differences within the organizational culture and strategic task between Nissan Diesel purchasing department and Volvo 3P. Furthermore, the purpose is to identify challenges that could be seen as

potential barriers to a successful integration and desired scenario.

- The purpose is to develop a new framework that can be used in mergers and acquisitions. The aim of the framework is to create an awareness of how an outcome of integration can vary depending on how the integration is managed depending on differences in organizational culture and strategic task.

Method: A qualitative method has been used in this study. Data has mainly been collected through interviews but literature studies have been made as well. The working process has followed eight steps inspired by O´Brien's method of scenario analysis.

Conclusions: In this thesis we have focused on differences in organizational culture and strategic task since it is proved that these two elements have major impact on integration. Therefore we have created an Integration Scenario Analysis. The purpose of this framework is to create an awareness of how an outcome of integration can vary depending on how the integration is managed depending on differences in organizational culture and strategic task

When it comes to culture differences the goal should be to create a new culture. This is a long term project that needs support from all levels within the organization. Within in the strategic task the challenges is to show the employees at Nissan Diesel why they should change their way of working. Misunderstandings and different opinions are easily created when two organizations use the same word as quality and cost but their definition differs. Therefore, we believe it is important to define a common language. When this has been done it should be easier to show on best practice, e.g. through benchmarks.

We believe that the perceived lack of momentum of the integration may be the result of insufficient support from top management at Volvo and Nissan Diesel. Another crucial problem is that there have not been created a new Nissan Diesel profile. Nissan Diesel is no longer going to be a traditional Japanese truck manufacture; it is going to be a part of a large global organization.

Key words: Volvo 3P, Nissan Diesel, purchasing, integration, organizational culture, strategic task, scenario analysis, culture web.

Acknowledgements

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1 Introduction

This chapter aims to give the reader an understanding and explanation of the practical and academic issues. The introduction starts with a general discussion about acquisitions and mergers. The second part will give the reader an introduction to the acquisition of Nissan Diesel made by the Volvo Group. It will also describe 3P's and the purchasing department's role in the integration. This is followed by a problem discussion that gives a description of the perceived problem and why it matters to 3P and the integration. The two following subchapters define the purpose of the thesis and provide a discussion where chosen theoretical frameworks are presented and motivated. This is followed by a background of the Volvo Group and Nissan Diesel. The introduction ends with an outline of the thesis in order to give the reader an overview of the paper.

1.1 Mergers and Acquisitions

Mergers and acquisitions (M&A) has become an increasingly attractive growth strategy due to the globalization of international economies and reduction in trade barriers(Hitt, et al., 2001). M&A is an opportunity to fast-track[1] the capabilities of an organization within a relatively short timeframe compared to internal or organic growth that delivers similar growth outcomes(Lynch, et al., 2002). When conducting an M&A the vision is to enhance the combined result of the organizations through synergies. The desired result can be described as the sum 1+1 should result in 3 instead of 2 (Ekman, et al., 2007).

Potential sources of synergies are generally generated through interdependencies between the value chains of the involved companies(Haspeslagh, et al., 1987). The M&A process can be used to leverage these interdependencies to develop new capabilities, expand product range and brand offerings, increases distributions chains, and utilize economies of scale (Gulati, et al., 2004). These kinds of expected results are often not realized and the outcome of the M&A might end up with the result of 1+1 becomes 1 (Ekman, et al., 2007). So what might be the reason for not reaching the expected synergies? (Cartwright, et al., 1996) identified 16 factors related to unsuccessful M&A. At least five of those factors could be related to the integration of people and culture:

- Underestimating the difficulties of merging two cultures.
- Underestimating the problems of skills transfer.
- Unmotivated employees of acquired company.
- Decision making delayed by unclear responsibilities and post-acquisition conflicts.
- Insufficient research about the acquired company.

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[1] Refers to the practice of making use of a process which is accelerated in comparison to the one in typical use (Oxford English Dictionary).

Both (Tropmenaars, 1994) and a study made by KPMG[2] concurs that the "soft issue" of corporate culture plays an important role to the success of M&A and that this is often underestimated.

1.1.1 Mergers and Acquisitions in Japan

A new era of M&A was initiated in Japan after the burst of the "bubble" economy in 1991(Nakamura, 2002). The nation has led the M&A activity in Asia for the last eight years.[3] This trend combined with the deregulation in a number of non-tradable sectors in Japan has led to increasing number of foreign firms entering Japan through M&A (Nakamura, 2002). So, takeovers and buyouts have become a more common, but not always welcomed, element of the Japanese business environment. Although it is important to remember that Japan is still not close to the dog-eat-dog world of corporate America and Europe.[4] The size of the M&A is growing as well as the number of mergers involving Japanese companies. The amount of M&A has quadrupled in a decade and the increasing number of deals is very interesting.[5] It may indicate that Japanese companies are becoming more familiar and comfortable using M&A as a tool in their operational strategy.[6] The number of M&A I Japan during the time 1985 to 2005 are illustrated in Figure 1.
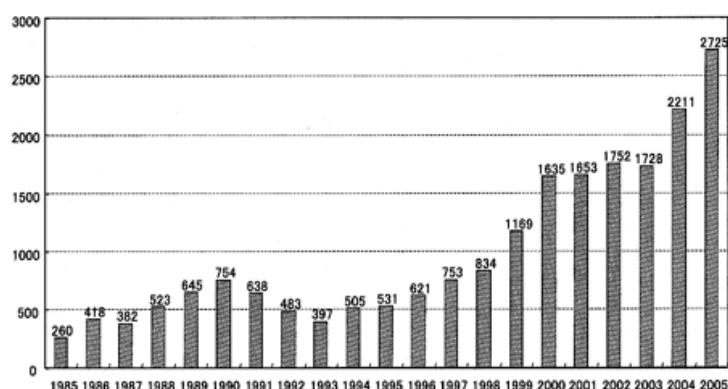
Figure 1. Total number of M&A in Japan from 1985 to 2005.[7]

So what is the general thought about M&A in Japan? As mentioned above, increasing size and number of M&A does not necessarily mean it is always gets ovations. There is still a perception that selling your business is a defeat and the biggest defeat is to sell to a foreigner. This leads to the fact that acquisitions, where a foreigner acts as buyer, still are a relatively small share of the total amount of M&A. During 2006 the

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[2] http://www.riskworld.com/PressRel/1999/PR99a214.htm (2008-05-07)
[3] http://www.jetro.org/content/264 (2008-05-07)
[4] http://www.nytimes.com/2007/03/29/business/worldbusiness/29yenmergers.html (2008-05-07)
[5] http://www.nytimes.com/2007/03/29/business/worldbusiness/29yenmergers.html (2008-05-07)
[6] http://www.jetro.org/content/264 (2008-05-07)
[7] http://www.rieti.go.jp/en/papers/research-review/033.html (2008-05-07)

number of foreign buyers was 171. This was just a little bit more than 6 percent of all mergers involving Japanese companies.[8]

1.2   The Acquisition and Integration of Nissan Diesel

Volvo and Nissan Diesel initiated cross company teams (CCT) in the spring of 2006 in order to identify possible areas of synergies. The CCTs focused on five different functions which are presented in Figure 2(Halnonen, 2007). Volvo had not yet acquired Nissan Diesel at this stage but they possessed approximately 19 percent of Nissan Diesel's shares.[9] Nissan Diesel was at this time owned by Nissan Motors. Volvo was also conducting parallel negotiations with the Chinese truck manufacturer Dong Feng[10] but these negotiations were still underway in the beginning of 2008 but no final agreement has been made.[11]
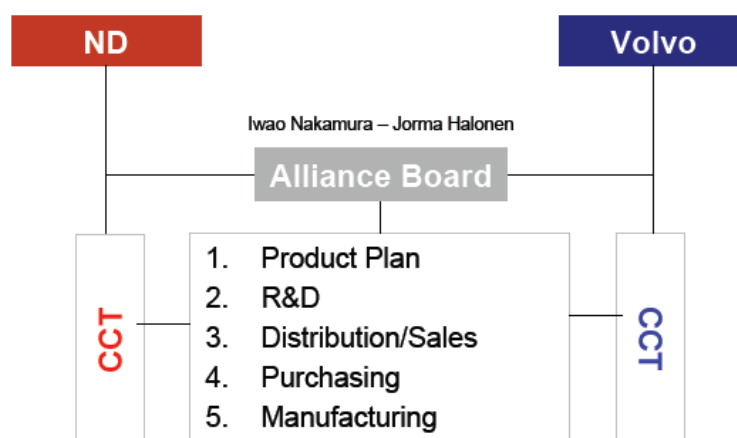
Figure 2. The cross company teams between the Volvo Group and Nissan Diesel. (Halnonen, 2007)

Nissan Diesel became a part of the Volvo Group at the end of March, 2007[12]. Nissan Motors and its allied Renault sold Nissan Diesel in order to focus on the passenger car business.[13] Volvo is striving to become the world's leading truck manufacture and the acquisition is a strategic move to achieve this goal. The combined synergies are expected to reach 200 M€ yearly. Short term synergies (1-2 years) are reached through purchasing, and distribution & sales.(Halnonen, 2007) The major contribution to increased profitability is expected to derive from cost savings through common purchasing of components and parts. Volvo estimates that it is possible to make savings on 40 percent of their and Nissan Diesels purchasing volume. More long term areas (3-5 years) where synergies are expected are product development,

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[8] http://www.nytimes.com/2007/03/29/business/worldbusiness/29yenmergers.html (2008-05-07)
[9] http://sydsvenskan.se/sverige/article196453.ece (2008-04-18)
[10] http://www.affarsvarlden.se/hem/nyheter/article275620.ece (2008-05-02)
[11] http://www.gasgoo.com/auto-news/5728/Volvo-Dongfeng-talks-near-completion.html (2008-05-06)
[12] http://www.e24.se/branscher/verkstadsindustri/artikel_36305.e24 (2008-04-18)
[13] http://www.cbsnews.com/stories/2007/02/20/ap/business/mainD8NDD2CO0.shtml (2008-05-03)

engines and power train.[14] Another important area is the possibility to use each other's retailer and distribution networks in Asia.[15] Nissan Diesel is now one part of the business area Asia. The organization of business area Asia is presented below in Figure 3.(Halnonen, 2007)

Business Area Asia
Organization Structure
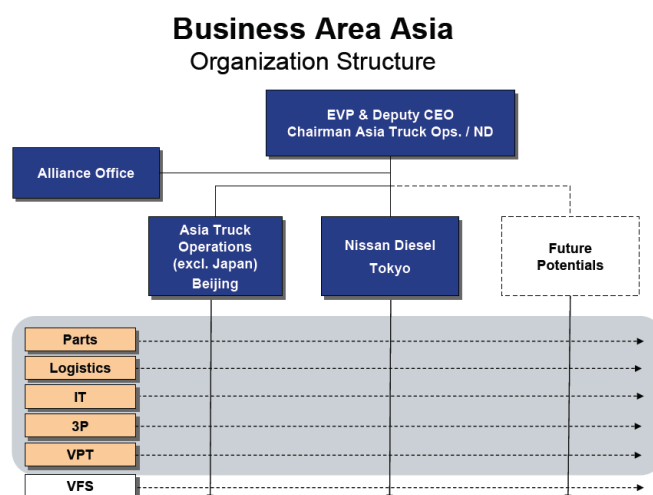
Figure 3. The organization of business area Asia. (Halnonen, 2007)

3P is a global business unit that supports the Volvo Group's four truck brands. 3P consist of Product Development, Product Planning, Purchasing, and Product Range Management. 3P part in the global organization is described in 1.6.1 Volvo Group. The focus of our study is the purchasing activity within 3P. Volvo 3P has stated the following vision of the integration with Nissan Diesel's purchasing department. The vision is described in Table 1.

Vision of the integration within Purchasing
• *One efficient global purchasing organization, supporting our customers.*
• *One common way of working, respecting the local needs.*
• *One set of processes and instruction.*
• *One systems application portfolio.*

Table 1. Vision of the integration at Nissan Diesel purchasing department. (*SBP roll out*)

The purchasing department at Nissan Diesel has been working with the integration since the beginning of the acquisition. The vision is that Ageo will be a 3P site just as Lyon or Gothenburg. The purchasing department has been divided into two different parts with different functions. One part is consisting of Swedish, French, Chinese and Japanese synergy purchasing managers (SPM) and they are focusing on handling the core business. This group is run by a Swedish manager. The other part consists of Japanese employees who focus on more administrative functions. Together, these two parts are working with renegotiations, supplier switches and to implement cost saving projects at suppliers. An employee exchange program has also been undertaken where

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[14] http://sydsvenskan.se/sverige/article196453.ece (2008-04-18)
[15] http://www.affarsvarlden.se/art/164872 (2008-04-18)

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personal from Gothenburg and Lyon has changed working places with employees in Ageo, Japan. The integration process includes different activities that are presented below in Table 2. Global 1500 is the process of reducing the supplier base of Volvo 3P to a maximum of 1500 global suppliers.[16]

Activities within the integration at Purchasing
• *Raw material management.*
• *Reduce supplier base.*
• *Implement Global 1500 synergies.*
• *BCS sourcing main tool.*
• *Implement global processes and tools.*
• *Improve / increase cultural understanding.*
• *Short-term job rotations – from both sides.*
• *Close cooperation with the global organization.*

Table 2. Different activities within the integration process at Purchasing. (*SBP roll out*)

1.3 Problem Discussion

Nissan Diesel became a part of the Volvo Group at the end of March 2007 and the integration was initiated. A year has passed and the integration process is making progress but is perceived to lack some momentum. Our sponsor, Mr. Mackinovski, would like to understand if there are any potential barriers to the integration process. The integration between Volvo 3P and Nissan Diesel's purchasing department are in the forefront of the integration as a whole but still there is work to do in areas such as common supplier base, and implementation of global systems and processes. If there are any issues or barriers against the integration it is important to beware of these and to take measures, otherwise the expected synergies might not be realized.

The integration process might have different approaches such as "we will make them like us", "nothing will change in either firm" or "it is a black box" where the integration just takes place (Haspeslagh, et al., 1991). The level of chosen integration may depend on differences in characteristic between the two involved organizations within certain determinates. Two determinates of integration level is: difference in organizational culture and strategic task.(Pablo, 1994). (Haspeslagh, et al., 1991) uses different determinates to describe the level of integration. He defines these two as "Need for Organizational Autonomy" and "Need for Strategic Interdependence". High respective low need of these two determinates leads to the following four levels of integration.

		Need for Strategic Interdependence	
		Low	*High*
Need for Organizational Autonomy	*High*	**Preservation**	**Symbiosis**
	Low	**Holding**	**Absorption**

Figure 4. Different levels of integration. (Haspeslagh, et al., 1991)

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[16] http://www3.volvo.com/investors/finrep/ar06/eng/volvo3pdevelopm/pops/printable/ (2008-05-06)

- *Preservation;* The acquiring company makes few changes to the target. The acquirer instead learns from the target in preparation for future growth.
- *Symbiosis;* The acquiring company integrates the target in order to achieve synergies. The target is to still allow autonomy, for example to retain and motivate employees.
- *Holding;* The acquiring company allows no or little autonomy but they do not integrate the target into its businesses.
- *Absorption;* Acquiring Company completely absorbs the target company.

These two different sets of determinants for integration level by (Haspeslagh, et al., 1987) and (Pablo, 1994) inspire us to analyze the integration process from a cultural and a strategic perspective. By cultural perspective we refer to organizational culture and by strategic perspective we refer to the organization works to reach it goals. We believe there is delicate balance of how to let an acquired organization keep the core of its culture and identity but still manage to implement new strategies and processes. Both the stated vision by 3P of the integration and the described activities show a high level of integration. The activities include common supplier base, global process and tools, and one common way of working.

Therefore, could it be useful to construct possible scenarios of the integration process instead of just look at it as "a black box" in order to realize potential issues and challenges? If an acquiring company chooses a certain level of integration depending on differences in organizational culture and strategies, what possible affect could this have on the integration process and its outcome? This leads to the following two discussions about differences in organizational culture and strategies.

1.3.1 Differences in Organizational Culture

When conducting an acquisition it is important to pay attention to company culture differences (Haspeslagh, et al., 1991). There are differences in company cultures comparing west to Japan (Haak, et al., 2005). Although it is important to chose what company culture differences that should be addressed to conduct a successful integration, changing just for the sake of it will not make any difference(Ghosn, 2002).

(Ekman, et al., 2007) conducted a master thesis regarding cultural differences and their implications for the integration of Nissan Diesel into the Volvo Group. The study was conducted at Nissan Diesel. Their result shows significant differences between the two organizations within the following five aspects:

- *Equality mindset*; e.g. how employees feel bout unequal distributions of means within the organization due to gender or otherwise. Swedish employees score higher on this aspect, which means that they are more concerned about equal opportunities.
- *Proactive versus reactive*; concerns future orientation, e.g. to which extent they make long-term plans. Swedish employees seem to be more proactive.

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- *High versus low context*; e.g. low context culture prefer a more indirect communication style. It seems that this is preferred amongst the employees at Nissan Diesel.
- *Vertical collectivism*; e.g. there seems to be a bigger gap between managers and employees comparing Volvo and Nissan Diesel.
- *Sequential or synchronic*; e.g. it seems that the employees at Nissan Diesel prefer to do one thing at the time.

1.3.2 Differences in Strategies

The other determinate of integration level is the difference in characteristics of strategic task. I.e. does the acquired organization need to adapt new strategies and way of working? Purchasing is one area where thorough studies have been made in order to compare Western and Japanese models. (Dyer, et al., 1993) The pros and cons of different models have been debated but their feasibility comes down to the present business environment (Haak, et al., 2005).

So there are significant differences within purchasing management comparing the western and Japanese model. This issue is also present in the case of integrating Nissan Diesel's purchasing department into Volvo 3P. 3P strive to have a supplier base that consists of only those suppliers that meets the demands of global 1500. This puts new demands on Nissan Diesel's purchasing department. The department is introduced to the 3P global supplier base as well as evaluation and renegotiations of their current suppliers. Only those suppliers that are willing and able to fulfill the requirements of the global 1500 will eventual be kept. This kind of changes puts new requirements on the purchasing organization in terms of system, processes and strategies.

1.3.3 Summary of Problem Discussion

An acquiring organization makes more or less active and conscious decisions regarding level of integration. This level may range from full integration and complete change to everything will stay as before.

Volvo's vision is a global purchasing organization. This implies a high level of integration between Volvo 3P and the purchasing department at Nissan Diesel. (Haspeslagh, et al., 1991) and (Pablo, 1994) presents two different sets of determinants for integration level; "difference in organizational culture" and "strategic task" (Pablo, 1994) and the "Need for Organizational Autonomy" and "Need for Strategic Interdependence" (Haspeslagh, et al., 1991). These two different sets inspire us to study differences within organizational culture and strategies and how these might affect the integration:

- How will the cultural differences affect the integration and what should be done to facilitate the integration of two different cultures?
- How should the differences within strategies be managed and what should be done to create a common way of working?

The illustration below (Figure 5) aims to link these two questions and the case of Nissan Diesel – Volvo 3P to the bigger picture. The two questions could be studied from another approach but we have chosen to do this through the integration of the purchasing departments of Volvo and Nissan Diesel. The purpose of the figure is to describe the different aspects that we have chosen to include in our study. The grid illustrates that we have chosen to observe the integration from the perspectives of culture and strategy but the integration could also been studied from another perspective, another grid.
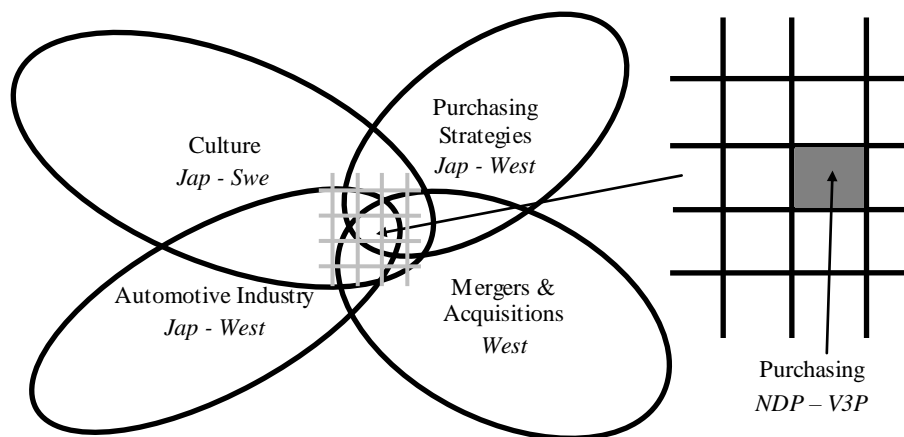
Figure 5. Our primary objective of analysis and its part in the bigger picture.

1.4 Purpose

Our purpose is divided in to two parts. The first part is relating to the integration of Nissan Diesel's purchasing department into Volvo 3P. The second part is concerning integration in a context outside Nissan Diesel and Volvo.

- The purpose of this thesis is to construct possible scenarios of the integration process due to differences within the organizational culture and strategies between Nissan Diesel purchasing department and Volvo 3P. Furthermore, the purpose is to identify challenges that could be seen as potential barriers to a successful integration and desired scenario.

- The purpose is to develop a new framework that can be used in mergers and acquisitions. The aim of the framework is to create an awareness of how an outcome of integration can vary depending on how the integration is managed.

1.5   Theories and Method to Achieve the Purpose

The Scenario Analysis method described by (O'Brien, 2004) is used in order to make structured descriptions and analysis of different scenarios. We have compared the method of (O'Brien, 2004) and the one presented by (Schoemaker, 1995). We chose to discard the latter due to its characteristics of a more quantitative analysis. The purpose for using Scenario Analysis is to describe possible outcome of the integration process between Nissan Diesel Purchasing department and Volvo 3P. The Scenario Analysis model is presented in A1 – Scenario Analysis page II. Since the method of Scenario Analysis is first and foremost used as a method to identify possible outcomes of events outside an organization, it had to be modified so that it could be applied on organizational culture and strategic task. The following theory was used in order to cover the cultural aspects. We refer to chapter 4 page 30 for a thorough description.

- The Cultural Web.
- Throe regarding the integration process

The following theories was added in order to cover the aspect of strategic task

- Pair-wise Comparison of Anglo-Saxon and Japanese Management Characteristics.
- Theory regarding Japanese versus Western Purchasing Strategies.
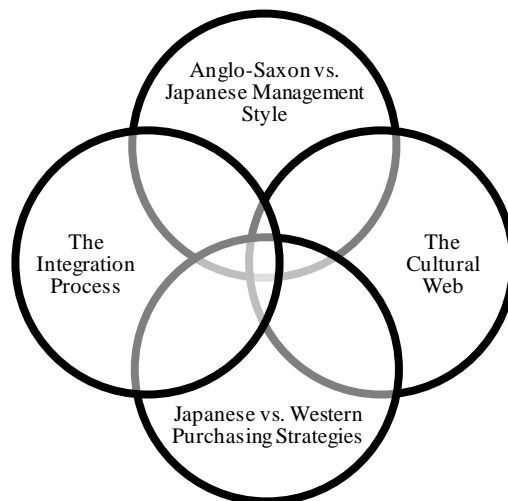
Figure 6. The selected theories in order to cover our purpose.

1.6   Background of Involved Parties

1.6.1   Volvo Group

The Volvo Group is one of the world's leading suppliers of transport solutions for commercial use. The Volvo Group also provides complete solutions for financing and service. The business areas are: Mack Trucks, Renault Trucks, Volvo Trucks, BA Asia including Nissan Diesel, Buses, Construction Equipments, Volvo Penta, Volvo Aero, and Financial Service.[17]
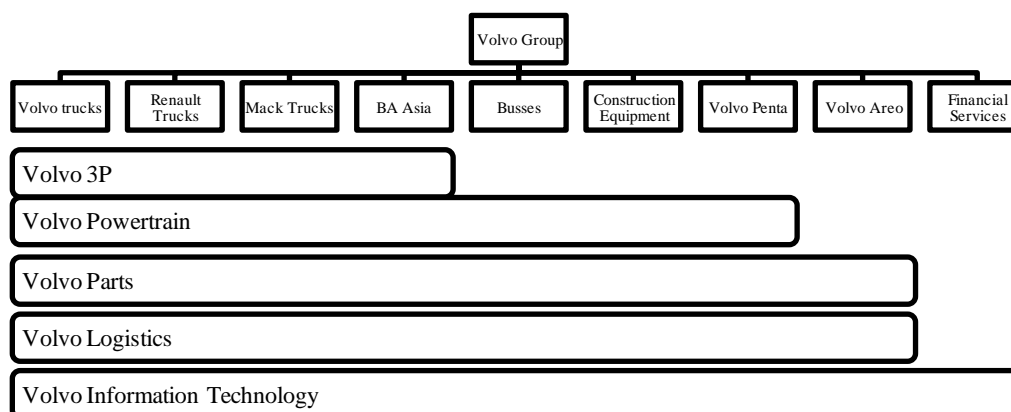
Figure 7. The organizational structure of the Volvo Group. (www.volvo.com/group/global)

Volvo's main competitors are Daimler, Paccar, Navistar, MAN, Scania, Caterpillar, Komatsu, CNH, Cummins, and Brunswick. Their global position within the different business areas ranges from first to second place within all fields except construction equipment where they hold a third place.[18]

1.6.2   Volvo Trucks

Volvo trucks was established back in 1928. Today Volvo is the second largest producer of heavy trucks. Volvo trucks are sold and serviced in more than 130 countries over the world, through over 1,000 dealerships and 1,800 workshops. Development and production are made in Sweden, Belgium, Brazil and the USA, with truck assembly operations in a number of different countries.[19]

1.6.3   3P

Volvo 3P is a business unit responsible for Product Development, Purchasing, Product Planning and Product Range Management. 3P has its main sites in Allentown and Greensboro (USA), Gothenburg (Sweden) and Lyon (France). The department has about 600 employees around the world. Each year about 5300 M€ is spent divided into: cab, electrical, chassis and vehicle dynamic. The organization is a matrix organization and in addition to the four groups above it is divided into four

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[17] http://www.volvo.com/group/sweden/sv-se/Volvo+Group/our+companies/volvo3p/ (2008-02-25)

[18] http://www.volvo.com/group/sweden/sv-se/Volvo+Group/our+companies/volvo3p/ (2008-02-25)

[19] http://www.volvo.com/trucks/global/en-gb/aboutus/Volvo_Trucks_The_Company/ (2008-02-23)

geographic areas; Europe, North America, South America, and International.[20] The quiet general global purchasing strategies for 3P are listed below in Table 3.

Global Purchasing strategy
• *Strongly support the Truck Brands' growth objectives.*
• *Focus on supplier performance.*
• *More business with fewer suppliers.*
• *Build strong relationship with world class suppliers.*
• *Drive efficiency to operational excellence.*

Table 3. The global purchasing strategy at 3P. *(SBP roll out)*

1.6.4 Nissan Diesel

Nissan Diesel was founded in 1935 and manufacture and sale diesel engines, light-, medium- and heavy-duty diesel trucks, buses, bus chassis and special-purpose vehicles.[21] Nissan Diesel has a reseller network in Japan consisting of the companies ten own resellers and six free-standing resellers with totally 180 retail stores. Also Nissan Diesel has an international reseller network with 55 distributors and seven joint-owned sales companies. Nissan Diesel's main competitors are Mitsubishi Fuso, Isuzu, and Hino. The four manufacturers hold approximately a 25 percent market share each.[22]

1.6.5 Mack and Renault

The case of Nissan Diesel is not the first time Volvo Group acquires another truck manufacturer. In order to reach global presence and reach new markets, Volvo bought Renault Trucks and its subsidiary company Mack Trucks in January 2001[23] so Volvo has previous experiences of integration work. Renault took in 1979 a 10 percent share in Mack Trucks, Inc. During the eighties Renault increased their shares and in 1990 Mack Trucks, Inc. became a wholly-owned subsidiary of Renault V.I. The company became one of North America's largest producers of heavy-duty diesel trucks. Mack is one of the largest manufacturers of heavy trucks in North America. Mack trucks are sold and serviced in more than 45 countries through a worldwide network of more than 670 sales, parts and service center.[24] Renault Trucks is a high-profile specialist in four segments: City Distribution, Regional Distribution, Construction Transport and Long-Distance Transport. Renault Trucks is one of the market leaders in Europe and it is growing international.[25]

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[20] http://www.volvo.com/group/sweden/sv-se/Volvo+Group/our+companies/volvo3p/ (2008-02-23)

[21] http://www.nissandiesel.co.jp/ENGLISH/ (2008-02-27)

[22] http://www.volvo.com/group/sweden/sv-se/Volvo+Group/our+companies/nissandiesel/ (2008-02-26)

[23] http://www.volvo.com/group/sweden/sv-se/Volvopercent20Group/history/ourhistory/history_introduction.htm (2008-02-20)

[24] http://www.volvo.com/group/global/en-gb/volvo+group/our+companies/Mack/ (2008-02-25)

[25] http://www.volvo.com/group/global/en-gb/volvo+group/our+companies/Renaulttrucks/ (2008-02-20)

1.7   Outline of the Thesis

A brief description of the outline in this thesis is given here to make it easy for the reader to get an understanding of the chapter´s content and the order in which they are presented.

Chapter 2	This chapter describes the methodological framework within which the work of this thesis has been conducted.
Chapter 3	This chapter presents a case study of the alliance between Nissan Motors and Renault. The study is based on literature and articles regarding the alliance. This will introduce the issues and challenges that might affect integration between a European and Japanese automotive manufacturer.
Chapter 4	This chapter contains the theoretical frameworks that we have chosen. A brief description and motivation was given in Chapter 1.
Chapter 5	This chapter presents our Integration Scenario Analysis. The scenario analysis is based on O'Brien's methodology. The integration scenario analysis consists of eight steps. Each step starts with a short description of its purpose and content so that the same process can be made at other integration work. The steps combine theories and empirical findings with analysis and eventually results in our four scenarios. In the last step we summarize the scenario analysis and identify the main challenges within the integration process.
Chapter 6	This chapter presents some recommendations of how Volvo 3P Purchasing and Nissan Diesel could continue on the path towards the "Long Term Success" scenario.
Chapter 7	This chapter contains four parts; Key Findings. Theoretical Contribution, Review of our Paper, and Suggestions for Further Research.

2 Methodology

This chapter describes our approach when conducting this thesis. It includes aspects such as our working process, data collection, validity, and reliability of the thesis. In academic subjects, the method is a tool to examine the gathered empirical material. The method plans the procedure to gather and process information. By having a structured method the issue will be answered in a more clear way. (Reinecker, et al., 2002). *When conducting empirical studies there are always risks that the studies will not result in new interesting findings. The key to reduce these risks is to plan and structure the method that should be used in the study.* (Jacobsen, 2002)

2.1 Working Process

Writing our master thesis has been very interesting but somewhat diffuse. When we started working on our thesis the aim of the study was not quite clear. Our sponsor at the purchasing department at Volvo 3P presented a couple of issues regarding differences in organizational cultural and supplier relationships between Nissan Diesel and Volvo. These differences were believed to affect the integration according to Volvo 3P. The purpose was changed a couple of times during the first weeks which led to constantly new theories. It was a challenge to find a purpose that would satisfy our two major stakeholders, namely Volvo 3P and the University. We wanted to satisfy Volvo 3P by writing a thesis consisting of information that the company would be able to use as well as we wanted to satisfy the University by a contribution to the academic world. It was also a challenge to find an interesting focus within a field that neither we, Volvo, nor our tutors had much experience in. Furthermore, our tutors at the university are specialized in two different areas. This has been interesting since they have seen the presented issues from different perspectives and we think that this has been a strength in our work. Our sponsor Volvo 3P has seen this from a third perspective that has been quite practical. We believe that the academic view of our teachers and the practical perspective of Volvo 3P have complemented each other well.

We perceived it difficult to identify a feasible area of research and to formulate a purpose. At the same time we did not really know who to talk to since no one took the role as an owner of the problem. After a few weeks working on the thesis we started to feel frustrated when we could not find an interesting area and correlating purpose. We had a deductive approach but we found it difficult to find interesting theories, mostly because we did not exactly know what our focus area was. After a few weeks we started to look for expertise within the field of Japanese Company Culture. We were lucky to meet Pia Moberg who holds a Ph.D. in Japanese studies and is a post-doctoral fellow at the Centre for East and Southeast Asian Studies, Lund University. We also conducted discussions with other expertise, both at universities and at companies.

After the meeting with Pia everything became much clearer and we found our purpose. She presented a set of pair-wise contradictions between the Anglo-Saxon and Japanese management style, chapter 4.3 page 39. We thought it would be interesting to study how these different pair would evolve over time. Would the Japanese gain influence from west or would it be the contrary. This initial idea evolved into the study that we have conducted in Japan.

Interviews and discussions with additional expertise within the area of organizational culture and company integration strengthen our assumption. This experts are mentioned below in Table 4. Our assumption was that organizational culture plays a major role in mergers and acquisitions on to which extent intended strategies are implemented successfully.

Name	Title
David, Steffen	Senior Consultant, McKinsey Tokyo Office
Larsson, Rikard	Prof. Business Administration, School of Economics, Lund University
Moberg, Pia	PhD, Institution of East Asia, Gothenburg & Lund University
Ström, Patrik	PhD, Japanese Management, Business Administration Gothenburg University

Table 4. List over external interviews with expertise within related areas.

This input gave us the idea to do this kind of study on differences in organizational culture and strategic task, comparing to the Volvo 3P and Nissan Diesel's purchasing department. Since this is a study that focus on future outcomes of a company culture, we chose to use Scenario Analysis as a base. Other theories regarding company culture and integration were added in order to cover our purpose, e.g. The Cultural Web.

Literature studies and the interviews with the expertise gave us the needed information in order to develop 65 uncertainties that could affect Nissan Diesel's purchasing department integration into Volvo 3P, A2 – Cultural Aspects page VIII. Out of these 65 uncertainties, we chose to focus on 16 key uncertainties that we believed could be extra interesting, depending on the request from our sponsor and the information we got through interviews with the expertise.

Since culture is a rather intangible subject a questionnaire building on our 16 key uncertainties was developed to be able to conduct structured interviews, A3 – Questionnaire page X. The questionnaire, an introduction to our thesis and to our self, was sent out to the interviewees a couple of days before the interview. The same questionnaire has been used at all interviews but the discussions have been adjusted depending on the interviewee.

The discussions have been very open and they have brought up new issues and information. All the persons that have been interviewed are presented in Interviews

page 97. During the interviews one of us took notes and the other lead the interview. All the interviews were recorded to assure good reliability and validity in our thesis.

The questionnaire was used at our interviews in Japan, both at Nissan Diesel and at the other companies. The questionnaire was also used at interviews with employees at Volvo 3P, Gothenburg. From the answers given at the interviews we were able to start building our Integration Scenario Analysis. In the analysis we also used all our knowledge we had about Japan and its culture, society, economy etc. This was done to give a complete picture. When all came together we created four possible scenarios that might be an outcome of the integration.

If our working process is summarized we would say that we have had an evolutionary approach. In our case the environment was too relentless and unpredictable to be able to anticipate at an efficient way. Our purpose in this thesis has slowly been created and it has been formed by the surroundings. (Whittington, 2002)

2.1.1   Our Process towards Trans Cultural

Through our work with this paper, we have experienced different levels of perceived knowledge concerning the different cultures involved. (Graen, et al., 1996) describes five different levels, or stages, of becoming trans-cultural. These five levels are described in Figure 8. We consider us to be so called sensitizers; if an individual wishes to be able to perceive a culture from that culture's perspective, he or she must learn to read and adapt to the social and behavioral norms. We do not claim that we become fully adapted but were aware of the differences. The limitation of this stage is that the sensitizer's understanding of norms is restricted to the home culture's logic. He or she lack the critical means actually set-a-side their biases. Considering we only spent three weeks in Japan, the progressing to this stage could be seen as a bit far-fetched. The reason for us to be able to reach this far is according to us

- Experience gathered through many sources such as:
    - Literature (mostly western).
    - Interviews with researcher and faculty.
    - Interviews within different industries/companies (H&M, Höganäs AB, Tetra Pak, Sony Ericsson, Swedish Trade Council, and IKEA).
    - Interviews with different nationalities (Swedish, French, German and Japanese).
    - Interviews with people at different ages.
- The possibility to reflect continuously together regarding both primary data gathering as well as experiences during our stay in Japan.

Adventurer	• *Stereotypes from ethno frames.* • *Cultural tourists, active interest, lack in-depth knowledge.*
Sensitizer	• *Outsider's view of norms, attune and perceive from own point-of-view.* • *Restricted by outsider's logic, lack means to truly transcend own biases.*
Insider	• *Knows what she/he does not know, taking a true interest in a discrepant culture.* • *Being sensitized to values and norms, local mentors.*
Judge	• *Some valid generalizations about attributes, conceptualize the similarities and differences.* • *Make a valid a meaningful comparison, perceive and judge beyond own background.* • *Cross-cultural comparisons on attribute level.*
Synthesize	• *Can discover "functional equivalences".* • *Synthesize both home and the second culture, create or facilitate the development of third culture.* • *Cross-cultural comparisons on system level.*

Figure 8. Different levels of understanding and becoming trans-cultural. (Graen, et al., 1996).

This is a generalized model. Our own experience of this process is that it is iterative and continuous. Once you think you are about to reach a new stage, you end up perceiving more confused and lost than before. At the same time, we believe that a person can make progress within different areas and that it does not have to be sequential. So we could probably be seen as advanced cultural tourist. Many of our interviewees with extensive experience of the Japanese culture, describes the phenomenon of a perceived increasing haziness the more experience they acquire.

2.2 Qualitative Method

Different problems require diverse methods depending on the characteristics of the issue. In our case the aim was to create structure in a difficult and complex field. Since it was hard to find useful theories about culture differences in Sweden compared to Japan, the key to succeed was to begin gather empirical information. The best way to approach this was to be open-minded and to assault the issue by gathering lots of information from interviews with different external interviewees within the field. Since the problem was a bit unclear in the beginning the qualitative method was best suitable for this thesis. A qualitative method is an open method where the investigators are not trying to control the information that is being collected. First after finishing the collection the data will be categorized and structured. (Jacobsen, 2002)

2.3   Data Collection

In this thesis we have mainly been using primary and secondary sources. Primary sources are the raw material that works as empirical information in the thesis. Our secondary sources interpret the raw material and it adds a comprehensive view and a better understanding. (Reinecker, et al., 2002)

We have divided our sources into different levels and these levels shown in Figure 9. The primary sources are the core of the box. This consists of interviews with employees at Volvo 3P and employees at the purchasing department at Nissan Diesel. The secondary sources are divided into three levels. Interviews and studies have been done at all these levels and they have all contributed to our Integration Scenario Analysis in different ways.
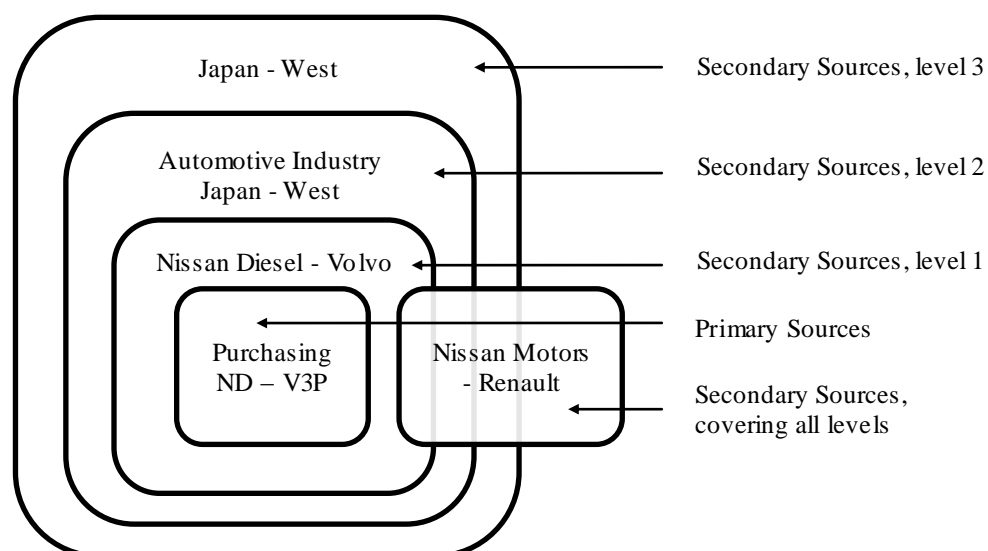
Figure 9. Our different levels of data sources.

2.3.1   Primary Sources

In this thesis the primary sources consists of interviews with people possessing different backgrounds at Volvo 3P. Interviews were made both with employees situated in Gothenburg, Lyon and Ageo. The primary sources also consist of the interviews made with the employees at the purchasing department at Nissan Diesel.

The interviewees at Volvo 3P in Gothenburg and Lyon were all managers at different levels. We interviewed both men and women at different age. In Ageo we interviewed expatriates from Volvo 3P Gothenburg and Lyon. These were all managers at different level. There were only male managers but it was a wide age spread among these managers.

At Nissan Diesel we chose to interview those employees who understood some English. At the moment there are not that many employees that can speak English.

We conducted interviews with managers at a high level as well as we interviewed newly employed young women.

During the interviews with these employees we followed the structure of our questionnaire but at the same time the interviews were rater open and other topics were brought up to discussion.

2.3.2 Secondary Sources

As mentioned above we have divided our secondary sources into different levels.

Level 1. Nissan Diesel – Volvo
We have conducted interviews with employees at both Volvo and Nissan Diesel outside 3P and the purchasing department. This has given us a picture of the integration as a whole and the purchasing department's role in the integration.

Pia Moberg run a consultant company that is involved in the integration. Pia has given us a picture of what she has seen and experienced when she has been working with Volvo and Nissan Diesel.

We have also been provided with information about the integration by Volvo. At this level we have also used a master thesis that was done at the alliance office, Volvo Group. The master thesis looked at cultural differences and their implications for the integration of Nissan Diesel into the Volvo Group.

Level 2. Automotive industry, Japan – West
During our visit in Japan we interviewed one Swedish man that has been working at Volvo Trucks in Japan and we interviewed another Swedish man that has been working at Mitsubishi. These two interviews gave us a good understanding for the industry as whole.

Also at lot of studies have been done at this level, especially in supplier relationship. We have been provided with information by employees at Volvo 3P and teachers at Lund University.

Level 3. Japan – West
Interviews have also been conducted with Swedish people working at Höganäs, Garuda Japan, Macgregor, Sweden Food & Forestry, Sony Ericsson, Swedish Trade Council, and Tetra Pak in Japan. Since these people have been active in Japan for a long time they possess a lot of experience in culture differences. Interviews have also been made with external interviewees at Lund University and Gothenburg University to deepen our knowledge and understanding.

At this level we have also read a lot of articles, reports, thesis, books and other useful literature that illustrate the difference there are comparing Japan to the west. The information has been found at libraries at Lund University, Malmö Högskola, Lunds

Stadsbibliotek as well at Elin[26] and Goggle Scholar. The literature studies provided knowledge of the theoretical framework and understanding for our subject. We have tried to use sources that have been newly published.

Nissan Motors – Renault
At all level of secondary sources we have used the case of Nissan Motors and Renault. The case has given us valuable knowledge about Nissan, about the automotive industry as well as knowledge about Japan and what differences there are compared to the west side of the world.

2.4 Validity

When conducting this thesis we found it important that the collected empirical data it must be valid and relevant. We wished that collected information that is actually being measured must be controlled so that it truly measures what it is suppose to so that the thesis would possess validity. (Jacobsen, 2002). Figure 10 below illustrates the primary objective analysis (i.e. the target) and the measurements (i.e. the dots)

Not Valid not Reliable   Valid but not Reliable
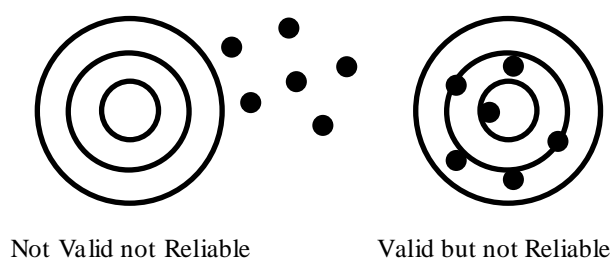
Figure 10. Illustration of validity.

Internal validity
Internal validity means that what is planned to be measured actually is being examined in the study. It is about whether a conclusion contains a causal relationship between different variables or not. It is important to define the exact questions that need to be answered to achieve good validity (Bryman, et al., 2005). Since the interviews were rather open there was an assurance for high internal validity. The interviewees had some power to steer the interviews and thereby they gave us their own opinion of our questions. The illustration in Figure 11 below tries to describe the link between internal validity and our thesis. The validity is affected by those conceptual and theoretical frameworks we chose. Have we chosen the right frameworks so we will measure what we intend to? Is the cultural web the most suitable theory in order to identify differences in organizational cultural? Or is the concept of cost, quality and supplier relationship viable to use in order to identify differences in strategic task? The cultural web affects the result of our study since it was used to construct our questionnaire.

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[26] ELIN: Electronic Library Information Navigator

	Differences Organizational Culture	**Differences Strategic Task**
Context / Objective of Analysis	*NDP - V3P*	*NDP - V3P*
	⬇	⬇
Conceptual / Theoretical Frameworks	*- The Cultural Web.* *- Human Side of M&A.* *- Anglo-Saxon vs. Japanese Mgmt. models.*	*- Supplier Relationship.* *- Cost* *- Quality*
	⬇	⬇
Result / Measurements	*Our Scenarios, Key Findings, and Recommendations*	
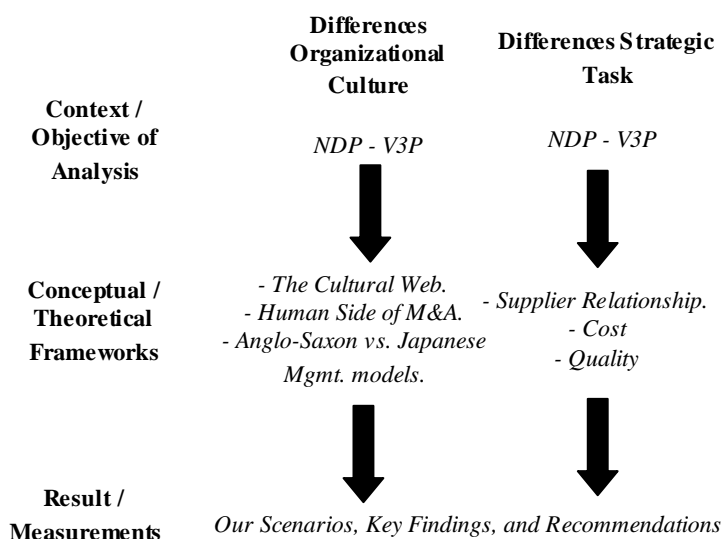
Figure 11. Illustration of validity in our case.

External validity

External validity is about whether the results are valid for a larger group and if the results can be implemented in other contexts in the future. (Bryman, et al., 2005) Qualitative studies are context dependent and therefore it is problematic to claim that you can draw general conclusions from such studies. The purpose of qualitative studies is normally not to draw general conclusions for a whole population, only for smaller units. (Jacobsen, 2002) The illustration above can also be used to describe the link between our thesis and external validity. Will our framework give the same result if it is used in a another context than Nissan Diesel Purchasing and Volvo 3P? In this study we hope that our results can be implemented in other contexts in the future. Our new framework should be useful in other companies when there is an acquisition or merger between two different companies, department or functions.

2.5 Reliability

We hope that we would get the same result if we conducted this thesis a second time so that the thesis possesses good reliability. Reliability measures to what extent a method gives the same result at different times but under the same circumstances. (Bryman, et al., 2005) Since interviews collect information about a person's opinion it is rather difficult to control the reliability. Opinions can change depending on the person that makes the interview and the place where the interview takes place can have an effect. (Jacobsen, 2002). Figure 12 below illustrates the aspect of reliability.

Not Valid but Reliable	Valid and Reliable
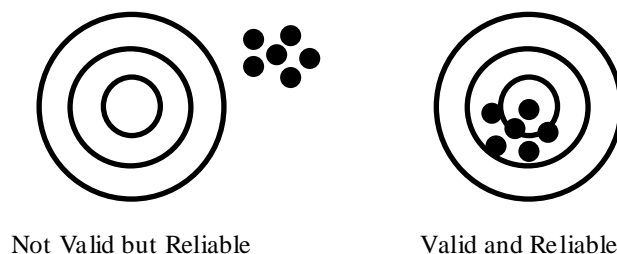
Figure 12. Illustration of reliability.

When doing interviews it is important to be aware of that there are a lot of things that can influence the interviewees. For example how the questions are asked and presented to the interviewee as well as how the interviewer acts. (Bryman, et al., 2005)

To make sure that the interviewees understood the questions we loudly read all the questions on the questionnaire at the same time as the interviewees had the questions in front of them on a paper. We tried to eliminate all the risks but there is a risk that some of the interviewee did not interpret the questions as we would like them to do. This has of course an effect on the internal validity of our thesis. We noticed that the Japanese interviewees were not used to meet young students and they were surprised by the questions that we asked them. We feel that there is a risk that the Japanese interviewee got a little bit nervous and did not always give us the true answer.

During our interviews we noticed that there were some questions that were not properly formulated and some of the interviewees had difficulties to answer those questions. Also on our questionnaire we had some boxes the interviewee filled out but some of the interviewees had difficulties with this and that we had to be aware of. Answers that we perceived as unreliable have been excluded from the study.

We perceived two difficulties related to language issues. The first was that Japanese people had a low level of spoken English. The second issue was the fact that it sometimes is difficult to translate between Japanese and English. This problem accurse because of the complex structure in the Japanese language.

When it comes to literature studies, reliability is dependent on the reader's capacity to stay focused on the text and to the ability to perceive the information in the text (Jacobsen, 2002). Since we have been two persons writing this thesis we believe that we have been noticing important details. All important material has been read by both of us and we have had daily discussions in order to get a wide understanding and to be able to develop our framework. Further, we have tried to be observant to find errors and possible lack of objectivity of respondents and in secondary sources.

3 The Case of Nissan Motors and Renault

This chapter is a study of written material regarding the alliance between Nissan Motors and Renault. The purpose of this chapter is to introduce issues and challenges that might affect any alliance, merger or acquisition, especially between Japanese and foreign automotive manufacturers. This case was chosen since it is regarded as a successful alliance between a Japanese and Western organization and gives some useful insights. It is also one of the most studied cases regarding cooperation between Japanese and western companies. The case is not only presented from a purchasing perspective, it also describes the alliance quite broadly.

This first part serves as an introduction to the case of Renault and Nissan. This was not an acquisition but an alliance between the both companies, where Renault acquired 36.8 percent of Nissan, March 1999. Nissan was on the brink of disaster and had shown red figures eight out of the last ten years. Their share in Japan had decreased from 34 percent 1974 to 19 percent 1999, and their global share had dropped from 6.6 percent to 4,9 percent during 1990 and 1999. Besides decreasing market shares, its plant utilization rate was as low as 53 percent.(Magee, 2003) In order to address these issues, the Nissan Revival Plan (NRP) was introduced. The revival plan was led by Carlos Ghosn from Renault who was appointed CEO of Nissan Motors. The former CEO of Nissan, Hanawa, was appointed chairman of Nissan Motors.

3.1 Corporate Culture Issues and Barriers to the Change

Culture of Blame
The culture of blame was one of the deep-seated challenges that were observed in the case of Nissan. The problem was the organization's disability to accept responsibility. When the organization did poorly, sales blamed product planning, product planning blamed engineering etc. One of the underlying problems was the fact that managers usually did not have a clear and defined area of accountability.(Ghosn, 2002) The other one was the lack of cross-communication, the separation of the organization's strengths made them little worth (Magee, 2003). There had been previous attempts to conduct reforms within Nissan, but this culture of blame was a very powerful barrier to change and to the success of reforms (Magee, 2003). In this kind of corporate culture, when set-backs and issues appear, turf protection sets in and compartmentalization increases even more (Nakae, 2005).

Keiretsu Networks
The Keiretsu[27] networks were another barrier to reforms and transformations attempts. These kinds of networks contributed to problem in two main ways. First, this system of cross-shareholding tide up vast amounts of capital although the small

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[27] Keiretsu Network: System of cross-holding of stocks, close personal and business ties, and shared values. The network is often coalesced around a bank or large manufacturer. The Keiretsus were created as a result of the forced break-up of the large industrial groups called Zaibatsus after World War II.

share in each firm gave little formal power. Second, the fact that many senior managers of the suppliers were often former employees of Nissan led to the inability to cut ties. (Nakae, 2005) This resulted in helping-others-at-all-cost attitude. The concept of Keiretsu network was a competitive advantage during the economic growth but had now become more of a liability. The supply costs, due to the Keiretsu relationships, made it impossible to operate profitably. It was impossible to buy outside this group regardless of better factors such as price. (Magee, 2003)

Relationship with the Government and Main Bank
Historically, the relationship with the government and powerful politicians was very strong. Nissan even considered its expansion to be a key part of national policy and its name is an abbreviation for "Nihon Sangyo" (Industry of Japan). Another major stakeholder was the main bank within the Keiretsu network. The close ties with the bank and their interdependencies were one major factor that led to the huge amounts of debts held by Nissan. These relationships created a false sense of safety since everyone thought the bank would come to the rescue when there was an emergency. (Nakae, 2005)

Vertical and Horizontal Relationships
As described above, two of the main reasons why previous attempts of transformation and change failed was (1) executive and managers were too concerned about their personal relationships with suppliers and dealers. (2) Managers and executive had only paid attention to their own apartments and its well-being. This case where departments formed a closed group, based on vertical human relationships, is typical to the Japanese society. In these vertical clusters, the length of the relationship becomes a social asset and therefore is the concept of "rank by seniority" a very important aspect. (Nakae, 2005)

Market-share-seeking
The strong desire to catch up with Toyota led to two major projects, one were global expansion and the other was huge investments in domestic dealerships. The problem began when, in spite of declining sales, Nissan's managers refused to take actions such as closing plants. They were stuck in the mindset that they had everything to be preserved in order to be ready when the increased market share was realized. (Nakae, 2005)

Consensus Decision-Making
There were a general idea that consensus and working together as a group were the key success factors to maintain operational efficiency and harmony within the group. This element contributed to the cultural paradigm and often led to delays in the decision making process when trying to reach consensus. Another aspect was that managers tried out different proposals to the surrounding, not in order to identify the most profitable, but to make sure everything would go smooth when the decision were to be made. When everyone agrees, no individual can be blamed if the outcome of the decision proves to be faulty, "Rules and conformity replace process." Historically, the idea of consensus has been useful to improve quality and

productivity, and it has been seen as source to well-being within the different teams and departments. (Millikin, et al., 2005)

The Misaligned Process of Career Advancements
The concept of consensus decision-making also affects the level risk averseness. The generally idea in Japan is that age, education level, and years served within a firm determines career growth. Promotions and power are given the personal that are considered knowledgeable and experienced. In reality, this means seniority and education, and not performance. (Millikin, et al., 2005)

Misunderstandings and Misinterpretations
The biggest difficulty is not mastering Japanese. Communication is of the essence during change efforts and if the basic requirements such as language impose a barrier, even the smallest task can become enervating. The Japanese language can be considered to be quite high context. Foreigners perceive it as vague and full of subtleties. More or less conscious misinterpretations are made by both sides. (Gold, et al., 2001)

3.2   Leadership and Measures Taken during the Change

Cross-Functional-Team (CFT)
Instead of forcing an already made up plan and dictate changes from above, Nissan's own managers were activated and made participants in process to identify needed changes. This was done by the creation of nine CFTs (Ghosn, 2002). The reason for this was that the plan should be a work of the company, not only top management. The CFT were put to work one week after the alliance was official and they were given three months to come up with suggestions within the different areas. The question given was "What do you think Nissan should do in order to get the maximum out of this area?"(Gold, et al., 2001) The CFTs was a powerful tool to get managers and executives to see beyond the functional and regional barriers. Well defined goals and targets, made up by the teams and approved by the executive committee, addressed both issues regarding communication and motivation. Most people, disregarding culture, want to reach target set by them self. (Millikin, et al., 2005) Each team consisted of 10 members from the company's middle management. The team's agenda and discussion was moderated by a so called pilot who was one of the regular members within the team. The CFT reported to two different supervisors. Both of these were drawn from the executive comity and the reason for using this system of dual controllers was to prevent one single function from dominating. The two leaders also had the purpose of sponsors, whose objects were to facilitate the work of the CFTs by removing institutional barriers.(Ghosn, 2002)

Expatriates[28]

The implementation of CFTs was one step in the idea of not imposing a revival plan from above. Another action taken by Ghosn in order to minimize the risk of backfiring as a result of cultural clashes was his personal screening and selection of those expatriates that would accompany him to from Renault. They were handpicked from on the criteria of cultural attitude towards respecting Nissan and the Japanese culture.(Millikin, et al., 2005)

Simple and Clear

The issues that were brought up and addressed during the transformation had a very complex nature. Although there were no short-cuts, keiretsu breakups, cross-company teams, and cross-functions teams, lack of transparency and sense of urgency all had to be handled at once and in the context of a multicultural corporate alliance were members spoke different languages. So what made it work? The phrase "concise plans and instructions from the top" keeps coming up as a key element to the success according to the employees. (Magee, 2003)

No Time to Waste and Essence of Speed

The CFTs were told there was no choice to make a turnaround. They had to focus on their area of review and deliver the needed corporate objectives to reach the goal, and they had to do it in three months. From the beginning, the time frame was set to two months but this was extended in order to reach the desired depth.(Magee, 2003) The process of the CFTs haltered in the start due to the new way of working; no taboos, freedom to be innovative and the clear areas of responsibility. Many within the management of Nissan were overwhelmed by the new processes and the way of work. This led to the fact that employees routinely came up with barriers that had nothing to do with the underlying issue. They were shown no pardon and were told that the mission was to create strategies for a winning global brand.(Magee, 2003)

Empowering Employees and Instilling Motivation

There was a deep loss of confidence within the company. One of the first assessments made was that Nissan had to get a feeling of urgency. Reform had failed before and the employees did not have confidence in the NRP. The motivating factor was that Ghosn asked them "What can you do for Nissan?" and thereby making them active participants of the planning and implementation of the changes. Once the first positive result was announced, internal confidence and employee self-esteem rose drastic. (Magee, 2003)

Identity

"How do you transform a company without destroying its identity?"(Ghosn, 2002) It is important to decide what kind of identity that is desired. In the case of Nissan, it was out-spoken that the purpose was to maintain each company's corporate identity. Still, this did not affect the leverage of all possible synergies. Nissan shifted from

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[28] An expatriate (expat) is an employee who transfers to a foreign subsidiary or department, of his/her company, for an extended period of time.

seeking market share towards the establishment of a brand identity. In order to make this transition, Ghosn formed a Brand Identity Committee.(Nakae, 2005) Although the process of change had to be initiated at once, space where Nissan could develop its new culture was given. It is a balancing act when making changes and safeguarding identity at the same time. (Ghosn, 2002)

Public Relations
"There was never a question of who made the decisions…", at least not within the company. One of the biggest challenges that faced the team from Renault was to seize control over both internal and external communications. Historically, Nissan had used the external channels of communication as a reactive toll rather than proactive. Like many other Japanese companies, the corporate tradition was to tell as little as possible to the public. The combination of low information flow together with the financial crisis did not favor the company in the eyes of the public. (Magee, 2003)

3.3   Results of the Change Process

The Alliance
Renault's CEO, Schweitzer, told the CEO of Nissan, Hanawa, that both companies would benefit most if they kept separate brands and corporate identity. The alliance aimed to produce maximum synergies while maintaining the different corporate identities. This is the contrary to the case of DaimlerChrysler where one of the companies absorbs the other. (Nakae, 2005)

> *"The essential first step in working together successfully is mutual respect. We can accept globalization all the more readily if our individual identities are preserved and affirmed"*(Ghosn, et al., 2005)

Language
The language is a crucial aspect of a multi cultural organization. Although documents at management meetings are distributed both in Japanese and English, all verbal communication is to be in English. Aligned with the work to make clearer definition of responsibility, employees are encourage to communicate more direct compared to the social settings of Japan. (Nakae, 2005)

> *"The communication methods and habits within the cultures are so different that even when the same language is used, different understandings can result"* (Magee, 2003)

In this case, the issue regarding communication was solved by interpreters in the beginning, i.e. during the initial work of the CCT. The CFT used interpreters but not at the same extent. According to top managers, it is very rewarding to try to learn Japanese. Nissan employees are trying to convert to English and this combination facilitates the process to learn from one another. Forcing a Japanese company to use English as a business language might have been the biggest challenge, even compared to the breakup of the keiretsu.(Magee, 2003) A solution to the problem with different

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meanings of one word was a company dictionary. This contained 40 key terms, in English, and presented the Nissan-Renault definition of each one.(Magee, 2003)

Commitment

The most important word to be defined in the dictionary is commitment.

> *"Commitment is an object to be accomplished. The objective to be accomplished is demonstrated by numerical values, and pledged. Once it is committed, it has to be achieved except for extraordinary events. In the event that the objective is not accomplished then one has to be prepared to take the consequences."* (Magee, 2003)

Clear Communication

Renault had to build credibility, and credibility is made up of two elements; performance and transparency. Clear communication is essential to create transparency. (Ghosn, et al., 2005) Clear communication was established by the use of English and clear definitions of responsibility. Through the CFTs, the strong vertical relationships within Nissan got less power and increased the transparency, information was spread across departments and functions, and there were no taboos. (Nakae, 2005) Communication is important both from an internal and an external point of view. E.g. when the organization was in crisis, the communication must be controlled but not eliminated. It has to go through one channel, if 15 people make statements, they are probably not saying exactly the same thing, and they are surly not saying it the same way. Although incentives, rewards, promotions and bonuses were used to increase employee motivation, the by far most important factor was communicating a completely new vision "If we reach out goals, this is where we will be in two years and this is where we will be in five years"(Ghosn, et al., 2005)

Respect for Other Cultures and Trust

The respect and trust for other cultures is a necessary mindset to break company and department barriers. (Nakae, 2005) To get a turnaround process to work, employees must believe that what they are told by management is true. Of course, trust is a long-term process and you have to start somewhere. A perfect place to start is by committing according to the definition. Every number had to be checked, reports had to be perfectly understandable and verifiable, and employees had to commit to every claim they made. Global transparency was also a part of this, no matter where one was located in the organization; they should be able to see how things were managed. (Ghosn, 2002)

Execution

One challenging task was to explain that company prosperity derives from direct improvements in quality, cost and customer satisfaction. These improvements come from direct work, and not strategy. Therefore, according to Ghosn, execution is 95 percent of the job and strategy only accounts for 5 percent. (Millikin, et al., 2005)

Suppliers Forced to Change

Nissan was literally robbed by its suppliers. Benchmarking comparing Nissan with Renault reviled that Nissan paid a premium between 25 and 40 percent on almost all parts. This resulted in the following commitment; Nissan 1100 plus supplier base would be cut in half, purchasing costs were to be decreased by 20 percent within three years, and contracting would be done at a global level. All suppliers who met with the demands and worked in Nissans favor would get a chance. In return, suppliers would get the opportunity to grow globally and to get aid in finding cost-cutting solutions. One third of the cost reductions were to come from changes within company engineering specifications. In all these processes, transparency in the form of benchmarking proved to be powerful method where only facts survive. (Magee, 2003) The suppliers who stayed has not only delivered the cost reductions, but also improved profitability. The radical move to dismantle the keiretsu is now followed by other Japanese companies. (Ghosn, 2002)

Change within

Layoffs had to be made, plants had to be closed, and compensation and management schemes restructured. In order to make these changes, HR went from being a regional affair to be managed at a global level from new department in Tokyo. The changes implemented during the NRP are described below in Table 5. (Magee, 2003)

HR Changes during the NRP
• *Seniority was eliminated as means of company advancement.*
• *Senior executive positions found to be redundant in the global structure were consolidated.*
• *Compensations schemes were revamped to reflect higher pay based on strong performance.*
• *Bonus pay was tied to the NRP's success for all employees.*

Table 5. Human Resource Changes made under the NRP. Source: (Magee, 2003)

Of course, measures like abandoning the seniority system met resistant within the organization. Many senior managers could not see themselves working under the command of a younger employee. (Magee, 2003) This put a lot of pressure on the new managers but this was at the same time a good opportunity to identify Nissans future leaders (Ghosn, 2002). Through these changes, the culture within Nissan is changing from a culture of presence to a culture of efficiency (Ghosn, et al., 2005).

Changing People

"It is more long lasting and beneficial, more powerful, to change people than to change persons"(Magee, 2003) The NRP included both layoffs and the restructuring of management. Positions such as Advisors and consultants were eliminated and everyone was given more direct responsibility, but now management-level cleaning was conducted. Even if internal surveys showed that not all management was pleased with the new way of working, they at least knew that the right measures were taken. (Magee, 2003)

New Culture
Renault's initial intention was not to make changes within Nissan for just the sake of it. Changes within the culture and mindset of the employees at Nisan were all made with one purpose, i.e. performance. Renault claims that they did not arrive at Nissan as missionaries. During the NRP formulation and implementation, the Renault managers came across elements that they did not agree with or did not like, but unless the modification of these certain element was indispensible to the result, they were left alone. They strived to change a minimum number of elements and that addressed only those linked to Nissan bad performance. (Ghosn, et al., 2005)

3.4 Summery and Key Findings of the Nissan - Renault Case

This part will summarize the main issues identified in our literature study of the Nissan-Renault alliance and its key success factors. The key issues and challenges according to us are:

- Culture of blame; disability to accept responsibility and accountability.
- Keiretsu networks; a competitive advantage that became a liability.
- Relationship with institutions; false sense of security due to previous assistance from bank and government.
- Market share seeking; following competitors and overcapacity.
- Rank by seniority; length of personal relationships became a social asset.
- Misaligned process of career advancement; seniority and education instead of performance.

Many of the measures taken to get Nissan back on track were quite practical such as new models, layoffs, factory shutdown, new purchasing and sourcing strategies etc. but the success of these changes was realized due to more "soft" key factors:

- Support, not from everyone but at all levels
- Commitment from both sides; vow to resign if the goals of NRP were not met.
- Dedicated expatriates; handpicked from the criteria of cultural attitude towards respecting Nissan and the Japanese culture.
- Respect and trust for other cultures; necessary to break company and department barriers.
- New way of working; execution is only 5 percent strategy and planning and 95 percent job.
- Clear communication; communication creates transparency. Transparency cerates credibility and breaks downs compartmentalization.
- Changes within HR; careers and incentives linked to performance.
- No changes within culture and mindset "just for the sake of it"; address only those issues that indispensible for the result.
- Benchmarking; a tool understood by everyone and used to explain and motivate changes.

4   Theoretical Framework

Chapter four contains the four different theories that we will use in order to make our description and analysis of the integration. The first theory concerns the integration of two companies from a human perspective. The second framework is the Cultural Web. This is followed by the pair-wise comparison between the Anglo-Saxon and the Japanese management model. The fourth and last theory is about Japanese versus Western purchasing strategies.

4.1   Integration Process

The integration process is the key to making successful acquisitions. It is only when the two firms come together, and begins to work towards the acquisition's purpose, that value can be created. Selected managers were interviewed in a project and all of them found the integration process vital but still they found integration difficult, time consuming, uncertain and fraught with risks and setbacks. For some of the managers the integration meant "making them like us" for others it meant "nothing should be changed in either firm" and some thought of the integration as a "black box" in which things just seemed to happen. To be able to conduct a successful integration there are some key steps to follow (Haspeslagh, et al., 1991):

1. **Set acquisition objectives early.** The management must have a clear vision and the objectives must be obvious from the start. Establish a list of specific objectives linked to a schedule to be able to measure progress and critical junctures and determining whether the merger is remaining on course in terms of the original plan.
2. **Choose managers that are believers.** The managers who are working with the integration must understand the reason for the merger to be able to involve the rest of the organization.
3. **Involve operational leadership.** Acquisitions demand much more than a good strategy, they require the insight and executive capacity of operational leaders to make them work. It is important that every acquisition plan should involve executives with operational experience in evaluating and carrying out an acquisition.
4. **Establishing top management early.** Successful acquisitions require that senior leadership, including the CEO, must be established early in the process. If the CEO is not a part of the integration from the beginning it can be difficult to get him or her to feel excitement and passion for the integration.
5. **Understand that corporate culture is the key.** The CEO must understand that culture is a critical key to succeed. The CEO must be able to see beyond the implemented programs and procedures to facilitate integration.
6. **Include human resources as part of the team.** The senior human resources can be very valuable and possess a critical role when it comes to integrate

cultures. There are many established best practice that can be implemented to help ensure successful integration and that is something to take advantage of.

7. **Understand the CEO's motivation.** Some CEOs like to do deals but have less regard for the practical aspects of making sure that they fulfill their promises. The board should offer a good check on the CEO and make sure that the company is undertaking an acquisition for the correct reasons and has the proper support to succeed.

8. **Value more than one culture.** Recognize when intra organizational cultural differences are vital to the success of a strategy and may necessitate carving out cultural niches to separate parts of the organization from the whole. (Carey, et al., 2004)

4.1.1 Create a Successful Atmosphere

Integration is an interactive and gradual process in which individuals from two organizations learn to work together and to cooperate. To be able to do this there is a need for an atmosphere that can support the challenge. Shaping such an atmosphere is especially difficult because problems in the integration process itself tend to subvert the creation. Before capabilities can be transferred between firms the right atmosphere must be created. This atmosphere consists of five key ingredients (Haspeslagh, et al., 1991). These aspects and their part in the integration process are described in Figure 13.

- A reciprocal understanding of each firm's organization and culture.
- The willingness of people in both firms to work together after the acquisition.
- The capacity to transfer and receive the capability.
- Discretionary resources to help foster the atmosphere needed to support the transfer.
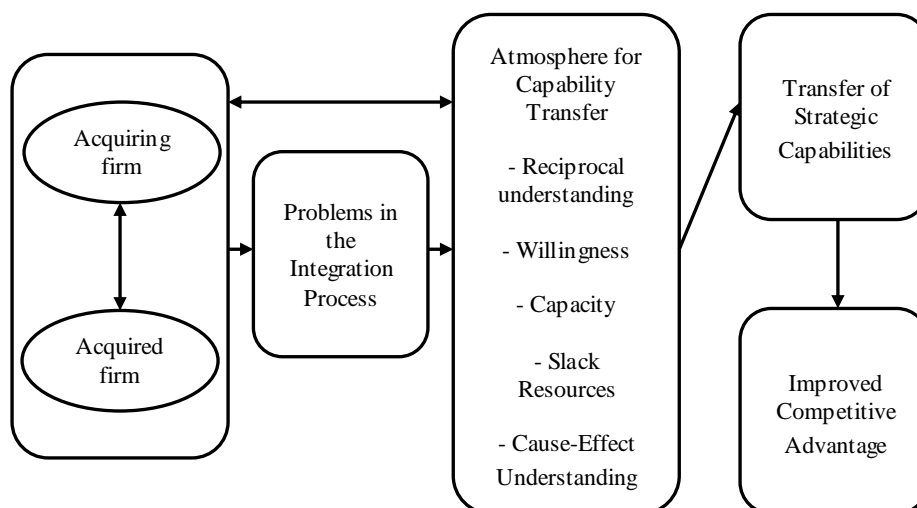- A cause-effect understanding of the benefits expected from the acquisition.

Figure 13. Elements in the atmosphere for capability transfer.

Reciprocal Organizational Understanding
If a firms strategic capabilities are rooted in the context of its organizational culture, then transferring and applying them successfully require an appreciation for the context from which they come and to which they will be transferred. Also there is need to see how adjustments are done to use them appropriate in the new context. All firms that are a part of an acquisition should appreciate the other firm's value, history, organizational approach, personal makeup and culture. The need for reciprocal understanding depends on the type of capabilities to be transferred and on the acquisition's relation to the company's business domain. (Haspeslagh, et al., 1991)

Willingness to Work Together
Many firms face difficulties when trying to make the employees work together after an acquisition. Often it ends up with a zero sum game, where one group "won" at the other's expense. The motives for not being able to work together are often fear for job security and loss of power or control over resources. Other factors that affect willingness to work together include differences in firm size, a desired to hold on to old ways of doing things, reward systems and prior experiences with acquisitions. (Haspeslagh, et al., 1991)

Capacity to Transfer and Receive the Capability
For capability transfer to occur the companies must have the capacity to participate in the transfer, this means that the capability must exist and the appropriate people in both organizations must be able to transfer or to receive it. The company to which the capability is being transferred must have the critical mass of intellectual and organizational abilities needed to use and apply what is acquired. (Haspeslagh, et al., 1991)

Discretionary Resources
After an acquisition is made the ability to commit additional resources at both the parent and subsidiaries levels play an important role in creating the atmosphere for capability transfer. Allowing some slack in the post acquisition does not mean there is a poor management practice implemented instead it provides a basis for dealing with operating and strategic contingencies at the corporate and business unit levels. (Haspeslagh, et al., 1991)

Cause-Effect Understanding of Benefits
Before capabilities can be transferred, the acquisition's broad initial purpose must be clarified in operational conditions for the middle and operating level managers who must work out the details for bringing the two companies together. The managers must understand the nature, the source, the timing and the predictability of the benefits they expect from an acquisition. The involved managers must understand how acquired capabilities can lead to improved competitive advantages before they can apply them. Strategic capabilities present potential once they are transferred, but still they need to be applied before they can lead to a competitive advantage. (Haspeslagh, et al., 1991)

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In summary, the atmosphere for capability transfer is vital because of its influence on the exchanges and learning that takes place after the acquisition. The acquisition is created through the interaction of the people in both companies, which are under the direct control of their managers.

4.1.2   Create a New Vision

A smart CEO in an acquisition will recognize the need to build a new identity for the new company culture, and actively create a new paradigm for success going forward. The forming of the new corporate vision should be distinct from the companies' old visions; this is a critical first step in creating an ultimately successful new entity. The message must come from the top and be transmitted though out the companies and to the world outside, explaining what the new company intends to be and to stand for. The new vision can effectively be communicated by following certain steps (Carey, et al., 2004):

1. **Articulate the vision from the top**. The CEO must express a vision of what the mission and the values of the new company will represent to employees and customers.
2. **Spread the word fast**. Hastily communicating the new vision throughout the two companies can alleviate anxiety and stem the loss of valuable talent. Employee must understand what the changes will mean to their individual jobs.
3. **Identify critical managers**. Find the talent critical to retain if the acquisition is to succeed.
4. **Court employees**. Especially in knowledge-based industries, losing talented employees is the same as losing business assets. Court the employees as the customers are courted.
5. **Create integration teams**. A network of integration teams starting at the top of the of the new company organization and spreading throughout the company's various functions, equipped with timelines and specific goals can help accomplish a smoother integration.
6. **Communicate, communicate, and communicate**. Even when the news is not good, employees will value knowing the news so that they can get a chance to plan their own life.

Once a new vision has been expressed the company can easier identify the management team and other employees who will best fit into the new scheme and will be able to forge ahead to attain the business goals set out in the vision.

4.1.3   Retain and Motivate Key Players

An important challenge is holding on to talent during the time between the announcement of an acquisition and the date when the two companies come together as one. This can be an extended period, particularly in a regulated industry, and smart companies will do everything in their power to lock in valuable talents away and ward of competitors and recruiters who can lure talent away during this valuable time.

Managers may see the chance to move from an unsettled environment to a stable one as very appealing. Following are some steps companies can take to hold on to critical talent (Carey, et al., 2004):

1. **Manage anxiety.** Recognize that the period between the announcement of an acquisition and the date when the two companies come together as one is a period full of anxiety for all employees.
2. **Clarify the vision thing.** Knowing what the "businesses case" is for the acquisition is crucial to making appropriate maintenance and compensation decisions.
3. **Align human capital and strategy.** Decisions about whom to keep and who to terminate should be based on what skills will be necessary to make the acquisition work and attain the new vision.
4. **Tailor incentives.** Implement appropriate incentives tailored to who should be retained and for how long.
5. **Create a culture statement.** Compensation and severance packages speak volumes about the company's culture. Make sure that the right message is sent.
6. **Follow the golden rule.** If people are expected to operate as part of a team they should be treated as human beings, not acquired territory.
7. **Aid understanding.** If drastic changes must be made in compensation practice, clearly converse the rationale to employees so that they will understand.
8. **Emphasize what goes around.** Create a rational system for withholding termination, and compensation and make every effort to treat people fairly.
9. **Realize that people make it happen**. Remember, retaining and motivating the right people will help secure the success of the acquisition.

4.2   Cultural Web

4.2.1   The Background and Purpose of the Cultural Web

The reason of non-successful corporate change and transformation processes can often be traced back to the misunderstanding or the disregard of corporate culture and climate(Sopow, 2006). The development and change of strategies is often associated with theories of analysis and planning. These frameworks describe what should be done rather than how strategies actually emerge.(Johnson, 1992) It is not sufficient to describe the process of strategic and organizational change from only a rationalistic point of view(Heracleous, 2003). Strategic planners report the use of normative and rationalistic models when conducting their work, but it is important to remember that this process of strategic planning takes place within the organization's cultural paradigm. (Johnson, 1987) defines the cultural paradigm as

> *"The set of beliefs and assumptions, held relatively common through the organization, taken for granted, and discernible in the stories and explanations of the managers... both intended and realized strategy is*

likely to be configured within the parameters of the paradigm". (Johnson, 1987)

Figure 14 below illustrates the link between the organizational paradigm and strategy.
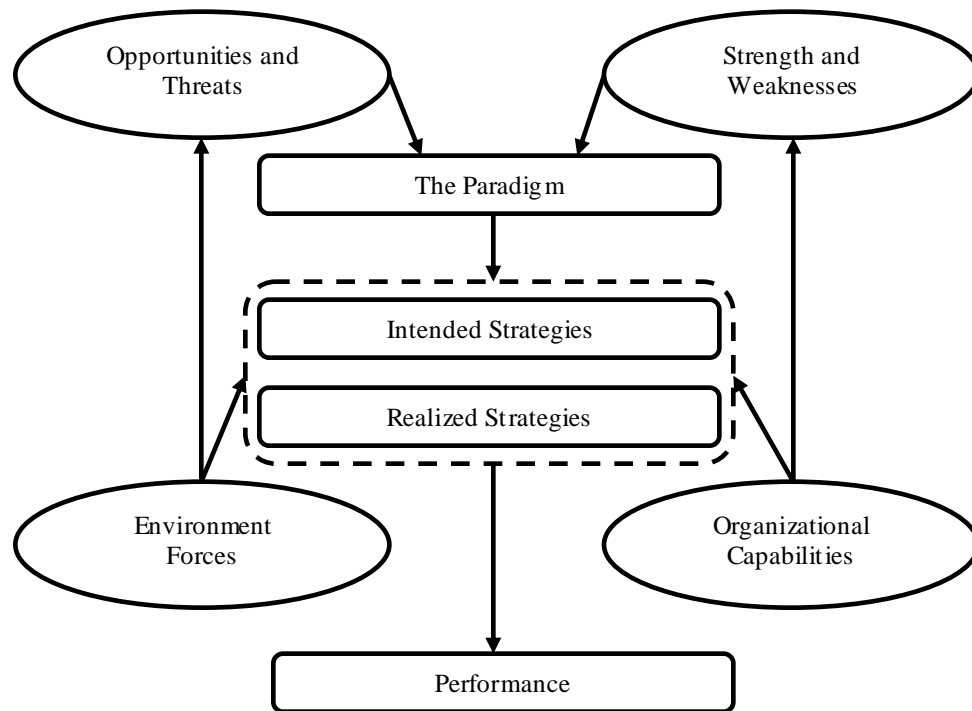
Figure 14. Strategy development from a cultural perspective. (Heracleous, 2003) **&** (Johnson, 1992)**.**

Changing corporate climate is one thing but the transformation of corporate culture is something complete different, although the two aspects are closely linked. Cultural factors are expressed through the daily work within the organization, i.e. the corporate climate. The definition of corporate climate and culture are as follows (Sopow, 2006):

- Organizational culture is deeply rooted traditions, values, beliefs and sense-of-self while
- An organization's climate could be described as the daily work. It could include strategies, rules and regulations, communications models and employees incentives.

In order to manage strategic change, it is important to consider the linkage between strategy development, corporate culture and managerial actions (Johnson, 1992). In order to implement change, it is important not just to aim for complete change but rather to identify which cultural and climate factors that need to be changed and those that need to be cultivated (Heracleous, 2003). To facilitate strategic change, it is of essence to expand the rationalistic explanations with an in-depth understanding of organizational culture in action. The process to gain this understanding is through in-

field observation (Schein, 1996). The cultural web serves as a framework to understand corporate cultural and climate, and to identify appropriate changes. The cultural web as a tool aims to describe the cultural paradigm of the organization.(Heracleous, 2003) It is a "quiet precise" instrument in order to identify reasons for inertia and barriers to strategic change (Johnson, 1992). The Cultural Web is illustrated below in Figure 15.
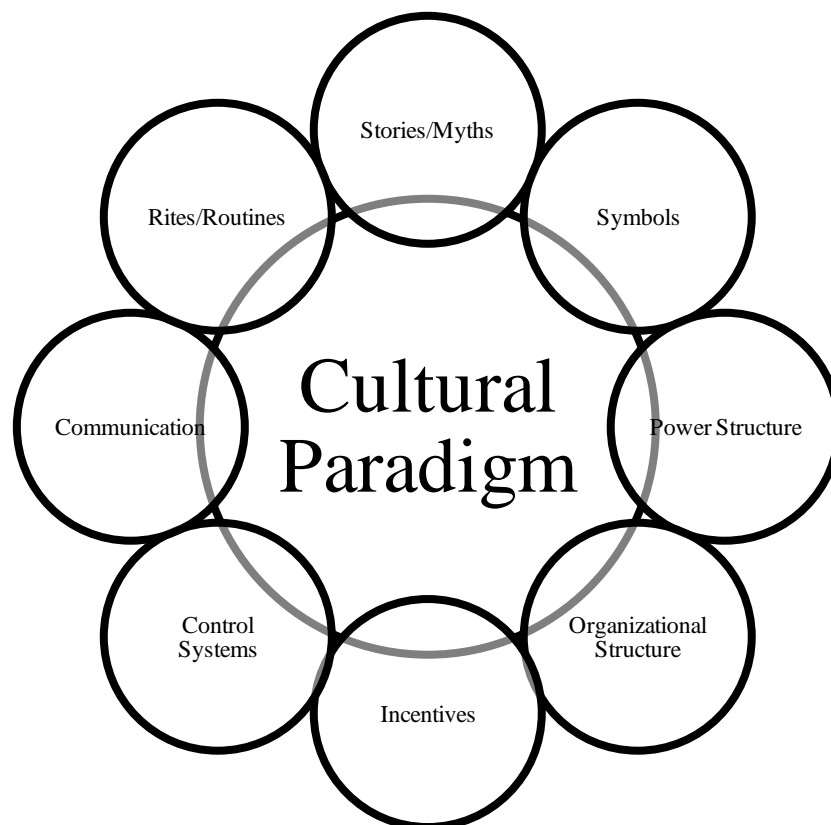
Figure 15. The Cultural Web. (Johnson, 1987)

In its initial form, the cultural web as a framework aims either to describe something an organization *is as* well as something it *has*. How the cultural framework is applied is up to the user. The aim of the cultural web is to surface cultural beliefs and assumptions that make up the paradigm. This is necessary in order to conduct a successful transformational change.

4.2.2 The Construction and Development of a Cultural Web

As described in 4.2.1 The Background and Purpose of the Cultural Web page 34, the cultural web's core is made up of the cultural paradigm of the organization, the taken-for-granted beliefs and assumptions of the organization. In order to facilitate the construction of a cultural web, a more in-depth description of the elements surrounding the cultural paradigm is presented below. This is a summary from

(Johnson, et al., 2005), (Johnson, 1987), (Heracleous, et al., 1996), (Thurairajah, et al., 2006) and (Johnson, 1992). The description of each element is summarized with a table (Table 6 to Table 13) containing important questions to ask in order to construct a cultural web.

Routines. Routines can be described and observed through employee's behavior. It includes both actions towards each other internally as well as towards external stakeholders. The routines are the realized code of conduct, "the way we do things around here". It is the actual rite and routines in the day-to-day work and includes a broad spectrum of activities from administration to attitude. An example of routine is competitive pricing within the construction business. *Rituals* are formal or informal actions which the organization takes in order to emphasize and underline "the way we do things around here". Activities included in this element could be introduction and training, ceremonies, promotions, and project teams.

Routines and Rituals
• *Which routines are emphasized in my organization?*
• *What behavior do routines encourage? Which would look odd if changed?*
• *What are the key rituals? What core beliefs do they reflect?*
• *What do training programs emphasize?*
• *How easy are the rituals and routines to change?*

Table 6. Questions to be addressed when observing routines and rituals.

Stories and Myths. Stories are passed on between employees within the organization, but the stories are also told to external stakeholders and new colleagues. The stories and myths are rooted in the organization's history and highlights important events and individuals. They can describe different aspects such as success, disasters, heroes, and villains. Stories and myths reflect the mindset of the organization and what is perceived as important.

Stories and Myths
• *What core beliefs do the stories in my organization/department reflect?*
• *Do stories and myths reflect strength, weakness, success, failure? Conformity or mavericks? Who are the heroes and villains?*
• *Is the same stories told through all level of the organization?*

Table 7. Issues of Stories and Myths.

Symbols. Symbols includes physical aspects such as logos, offices, and clothes. More tacit symbols such as titles, language, and terminology are also included. Symbols can be a projection of the cultural paradigm on the day-to-day representation and presentation of the organization. Changes in environment, like offices and tacit symbols such as language, can be powerful means of change.

Symbols
• *What language and jargon are used in my organization?*
• *What strategies and information are highlighted in publicity?*
• *Are there any symbols that represent the organization or status within the organization?*

Table 8. Different aspects of Symbols.

Power Structure. Within organizations, there are often groups, functions, or departments that possess more power relative others. These actors are often connected in some way with the core beliefs and assumptions of the organization, i.e. the cultural paradigm. Power structure also includes distribution of power depending on status and position within the organization.

Power Structure
• *What are the core beliefs of the leadership in my organization?*
• *Who holds the power? Idealists or pragmatists?*
• *How is power distributed in the organization?*
• *What are the main barriers to change within the power structure of the organization?*

Table 9. Questions regarding the power structure of an organization.

Organizational Structure. The organizational structure is often connected to the power structure. The structure often reflects key relationship within the organization. It describes the set-up, levels of hierarchy and the "pecking order" between different functions.

Organizational Structure
• *How mechanic/organic are the structures in my organization?*
• *How flat/hierarchical are the structures? How formal/informal are they?*
• *Do structures encourage collaboration or competition?*
• *What type of power structure does the organizational structure support?*

Table 10. Different issues to consider within the element of organizational structure.

Incentives. Incentives are a powerful tool to affect the behavior within the organization. The structure and use of incentives are often related to what the company perceives as important. Incentives can take many forms, such as financial, material or a more punishing character.

Incentives
• *What are the characteristics of the incentives? Moral, personal, financial, or punishing?*
• *Do incentives reward/punish individuals, group or management?*
• *Are the incentives aligned with the values and/or goal of the organization?*

Table 11. Aspects of incentives as an element of the cultural web.

Control systems. These element concern areas such as measurements and management control systems. It is closely linked to the element of incentives since control systems not only includes the measurements but also the level of reward associated with these. Control systems also include regulation and audit systems. This

element show what type of activities and processes the organization perceives as important.

Control Systems
• *What is closely monitored/controlled in the organization?*
• *Are there many or few controls? How is this motivated?*
• *Are these controls and monitoring systems related to history or current strategies and goals?*

Table 12. Questions to consider while observing the controls systems within an organization.

Communication. The taken-for-granted assumptions of the cultural paradigm are often reflected in the way the organization communicates internal and external. Barriers to information exchange might be observed between departments, functions or different levels of management. These barriers might have their origin in the power structure.

Communication
• *How is information spread throughout the organization?*
• *Is it a one or two-way communication? Bottom-down or vice versa?*
• *What type of media is used?*
• *How could informal versus formal communication be described?*
• *What are the characteristics of vertical and horizontal communication?*

Table 13. Different aspects of the communication within the organization.

4.3 Pair-wise Comparison of Anglo-Saxon and Japanese Management

(Haak, et al., 2005) describes a key dilemma for Japanese Management; continuity versus change. They list a number of pair-wise comparisons between the Anglo-Saxon and the Japanese management model. This is of course a generalized comparison but it might give some insight on major differences. The Anglo-Saxon and the Japanese pairs are conceptual opposite, in practice it is important to remember that they are a matter of degree and not "either or". The different pair-wise characteristics are described below.

Anglo-Saxon model	Japan model
• *Market regulation*	• *Governmental guidance.*
• *Shareholders' interests*	• *Employees' interest.*
• *Capital markets*	• *Bank loans.*
• *Constant profits*	• *Long-term market growth.*
• *Corporate strategies*	• *Operational effectiveness.*
• *Differentiation from competitors*	• *Imitation of best practice.*
• *Radical change*	• *Incremental steps towards improvement.*
• *Open, global, and geocentric approaches*	• *Insular, domestic, and ethnocentric approaches.*
• *Flexible transnational alliances and supply chains*	• *Rigid domestic keiretsu structures.*
• *Proactive top management*	• *Delegating decision making to middle management.*
• *Willingness to abandon prior decisions and ongoing activities and to embrace new ones*	• *Perfecting old activities and decision.*
• *Transparency in corporate governance and financial markets*	• *"Behind-closed-door" insider system.*
• *Clear accountability and responsibility*	• *Vague responsibility sharing.*
• *Flexible labor markets*	• *Lifetime employment.*
• *Performance*	• *Seniority.*
• *Diversity of knowledge, originality, creativity, and individuality*	• *Homogeneity, status quo, conformity and collectivism.*

Table 14. Comparison between Japanese and Anglo-Saxon management model. (Haak, et al., 2005)

(Haak, et al., 2005) refer to increasing misalignment between the Japanese model and the current globalization and they discuss if the Japanese model should adapt certain key characteristics of the Anglo-Saxon model in order to become more competitive. At the same time, the authors recall that the same type of discussion was held no more than 20 years ago. At that time the discussion emphasized the need of American management to adapt more of the Japanese characteristics. The important thing to remember is that the relevance of the different models strengths and weaknesses have changed. It is suggested that it is not the Japanese or Anglo-Saxon management model that has undergone fundamental changes, but the global business environment. This in turn affects the relevance of each model and its strength. (Haak, et al., 2005)

4.4 Western versus Japanese Purchasing Strategies

Two interesting studies show the different strategic approaches automotive manufacturers have taken to reach the same goal, namely competitive advantage. One study was carried out on 453 supplier-automaker relationships in the U.S., Japan, and Korea(Dyer, et al., 1998) and the other study was made on two Japanese and two U.S. automakers and a sample of 143 of their suppliers(Dyer, et al., 1993).

Both studies conclude that there are two widely differing supplier management models used by American, Korean and Japanese manufacturers. The first being the

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arm's length model and the other one named the *partner model*. Both of these managerial views were identified in all three geographical areas, the interesting result was how the strategies was implemented and carried out in the organizations.

The dominating view in the US was the *arm's-length model*. In this case it denoted the wish to decrease supplier dependence and increase barging power. This was done by short contracts, fierce bidding, redundant suppliers, low level of continuity, and low levels of investments and information exchange. When comparing the dominating *arm's-length model* view with the *partner model* within the US manufacturers, surprisingly, the only real change was the length of contracts. Figure 16 below illustrates the difference in supplier relationship between US and Japanese automakers. The ellipses illustrate each manufactures supplier base and to which extent the suppliers work with different manufacturers.

G.M. Ford Chrysler   Toyota   Nissan

- Arm's-length model
  has prevailed: moving
  to partnerships.

- Large suppliers with
  economies of scale.

- Low supplier-OEM
  specialization and
  coordination.

**No strategic
segmentation of
suppliers**

- Mix of partners and
  independent suppliers.

- Independent suppliers
  realize economies of
  scale.

- High level of supplier-
  OEM specialization
  and coordination with
  partners.

**Strategic segmentation
of suppliers**

Figure 16. Supplier relationship: US versus Japanese automakers. (Dyer, et al., 1998)

As with the US, both views of supplier relation management were identified in Japan and Korea. The difference was that in these two cases, the managerial views in fact implied two diverse types of relationships. Affiliated suppliers belonging to the manufacturer's net-work (i.e. the Keiretsu), had a relationship just the opposite the US *arm's-length model*. The Japanese *partner model* denoted by information sharing, trust, dedicated investments, continuity, and less bidding suppliers per part. On the

other hand, the independent suppliers that did not belong to the keiretsu, was managed more as the US *arm's-length*-suppliers. This is called the *Japanese-Style Partnership* (JSP). Table 15 below describes the differences in supplier relationship between US and Japanese automakers.

	US			Japan	
	"Arm's-Length"	"Partner"		"Arm's-Length"	"Partner"
General Characteristics					
Percent of Sales to automaker	33.5 %	33.9 %		18.9 %	60 %
Relation-Specific Assets					
Percent of capital equipment that is not redeploy able	15.4 %	17.7 %		13.2 %	30.6 %
Annual "man days" of face-to-face contact	1.169	1.385		3,181	7,27
Number of guest engineers	.45	.47		2.3	7.2
Information Sharing Assistance					
Extent to which supplier shares confidential information*	3.1	3.3		5.3	6.2
Extent to which supplier shares detailed cost data*	4.5	4.3		4.3	5,9
Extent to which automaker assists supplier with cost reduction*	2.1	1.9		2.6	4.2
Extent to which automaker assists supplier with quality*	2.9	3.1		3.0	4.4
Trust/Contracts					
Extent to which supplier trusts automaker to be fair*	4.2	4.7		6.0	6.3
Extent to which supplier expects unfair treatment if automaker has the chance*	4.2	3.6		1.6	1.6
Average contract duration	2.4 years	4.7 years		3.0 years	3.0 years

* Supplier response on a 1-7 scale,
1=not at all, 7=to a very great extent

Table 15. Characteristics of relationship between supplier and automaker due to different strategies. (Dyer, et al., 1998)

This comparison shows significant differences in the supplier relationship although both US and Japanese speaks of the same strategies such as "arm's length" and "partnership". This result of this quantitative comparison is confirmed by a qualitative (Lamming, 2000) shown in Table 16.

Western	Japanese
Customer dominates supplier: supplier employs opportunism; relationship is thus combative. This in risk premier and higher costs in supply chain.	Customer dominates supplier: supplier cedes autonomy. Relationship is thus co-operative. Supplier is compliant and process results costs are reduced.
Customers and suppliers rarely in co ownership.	Customer and supplier often linked by equity exchange; this creates linked feeling of mutual destiny.
Annual price increases are sought by supplier for long-running items. Traditional negotiation is seen as central feature of relationship.	Costs and prices reduce continually. This helps customer to compete internationally, while increase in level of business makes it bearable for suppliers.
Suppliers fend for themselves. If supplier falls behind, customer re- sources. Alternatively, customer buys supplier to gain total control.	Customer helps supplier to develop (to customer's requirements). If supplier falls behind, customer helps it to improve.
Relationships characterized by mistrust; customer's initiatives for improvements viewed cynically by suppliers.	Customer tends to deal with small number of direct suppliers. Requires first-tier to deal with second tier and so on.
Customers deal with many suppliers; firms have little loyalty to each other.	Some customers forbid suppliers to deal with their competitors.

Table 16. Japanese versus Western supplier relationships up to c. 1990. (Lamming, 2000)

JSP is considered to be one of the major factors contributing to the Japanese competitive advantage with in the automotive industry. From 1965 to 1990, Japan's total market share rose from 3.6 percent to 25.5 percent while US went down from 48.6 percent to 19.2 percent. Moreover, Japanese firms had a cost advantage of 25 percent per car compared to US competitors. These figures are representing the overall situation between US and Japan when the studies were carried out.

5 Integration Scenario Analysis

Below we present our framework and the implementation of it on the case of Volvo 3P and the purchasing department at Nissan Diesel. The model is using (O'Brien, 2004) Scenario Analysis as a foundation. Our contribution is the addition of the Cultural Web and theories regarding differences of strategic task, i.e. differences in purchasing strategies.

Our Integration Scenario Analysis framework consists of eight steps. These are described briefly below in Table 17. A more thorough description is given when each step is used on our case.

Our Framework **Integration Scenario Analysis**	*Original Framework* **O'Brien (2004)**
Step 1. Set the scene.	*Step 1. Set the scene.*
Step 2. Identify global, national, and corporate trends that may have affect on the organization in question, e.g. PESTEL.	*Step 2. Generate uncertain and predetermined factors using PESTEL*
*Step 3. Use the **Cultural Web** to identify and structure **cultural aspects** that may affect the outcome of integration process.*	*Step 3. Reduce factors and specify factor ranges.*
	Step 4. Choose themes and develop scenario details.
Step 4. Reduce the number of cultural aspects.	*Step 5. Check consistency of scenarios.*
Step 5. Identify the characteristics of each selected cultural aspect within the organization in question.	*Step 6. Present scenarios.*
	Step 7. Assess impact of scenarios.
*Step 6. Identify and analyze **differences in strategic task** between the organizations.*	*Step 8. Develop and test strategies.*
Step 7. Construct different Integration Scenarios and set themes.	
Step 8. Summarize the Integration Scenario Analysis and indentify main challenges within the integration process	

Table 17. A comparison between our steps compared to (O'Brien, 2004).

Figure 17 below illustrates the different steps and their purpose in order to give an overview of the process.
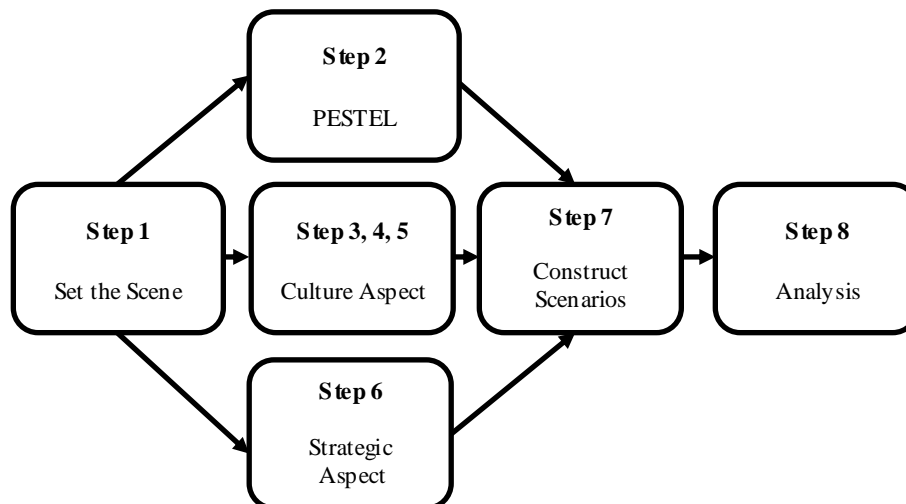
Figure 17. An overview of the scenario construction and analysis.

A brief description of each step is presented below although a more thorough explanation is given when we use our framework on the case of Nissan Diesel Purchasing and Volvo 3P Purchasing.

Step 1 includes setting the time frame for the scenario analysis and the process to create a general awareness about the culture in the country were the acquisition takes place, e.g. Japan

Step 2 includes a PESTEL analysis of the country in question were the acquired organization acts. The purpose is to identify trends that might affect the culture. The PESTEL framework is not used to generate factors as in the framework presented by O'Brien. This is illustrated in Figure 19.
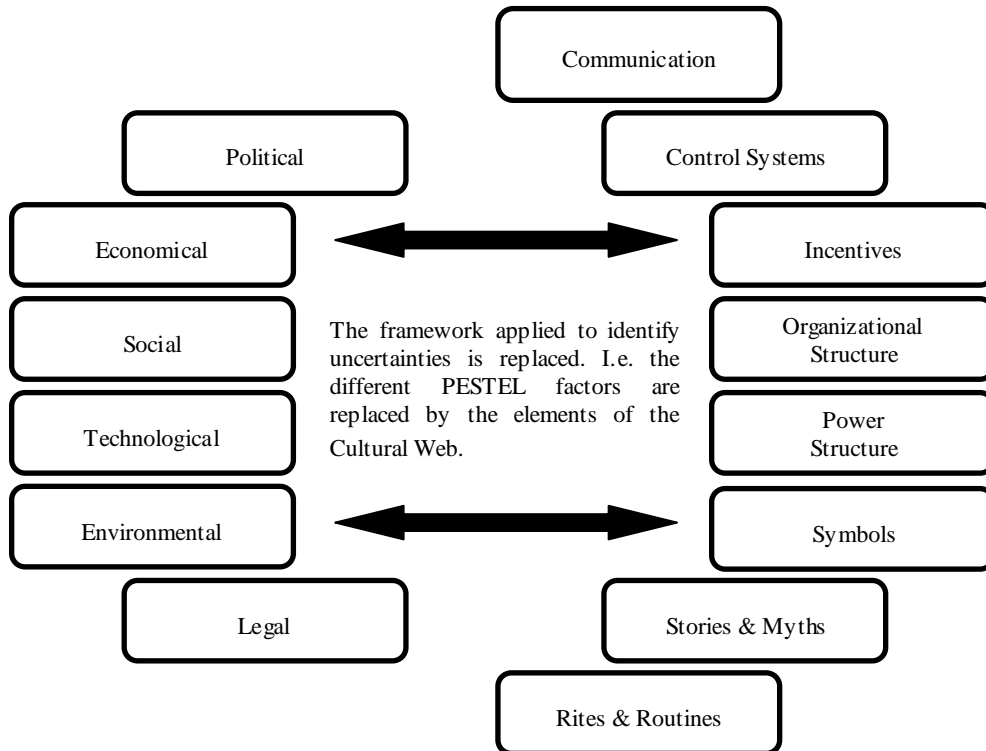
Figure 19. The replacement of the PESTEL factors with the elements of the Cultural Web

Step 3, 4, and 5 includes the use of The Cultural Web in order to identify, reduce and describe the characteristics of cultural aspects within the organization that might affect the integration. These steps and the use of The Cultural Web replace the purpose of step 2 and 3 in the framework presented by O'Brien. We refer to Table 17.

Step 6 includes the strategically aspect. In this case we analyses how differences in purchasing strategies and supplier relationships might affect the outcome of the integration process. We indirect use the theory regarding supplier relationships presented in chapter 4.

Step 7 and 8 includes the construction and analysis of our Integration Scenarios. This is done by using the knowledge and experience gained through the previous steps. We also use the theory regarding the integration process in order to analysis and to give recommendations.

5.1   Step 1. Set Purpose and Scene

The purpose of the first step is to define the scope of the Scenario Analysis. This includes description of purpose and setting the scene. Defining the scene includes setting the time frame, description of the general culture in the country were the organization acts, description of the corporate situation, and defining at what corporate level the Scenario Analysis will be made. Description of purpose includes "what is the reasons to conduct this Scenario Analysis?" and "what is the goal?".

The first step in setting the scene is to define the time frame. The length of the time frame of the Integration Scenario Analysis depends on what level the planning is made. Is it a whole company or just a minor subsidiary that are to be integrated? In a corporate context the time frame could be somewhere around three to five years (Eklund, 2008). *The second step is to describe the general culture in the country where the company acts. The purpose of this is to find links between the general culture and the organizational culture. The third step is to describe what type of context in which the new culture may evolve, e.g. merger, alliance, or acquisition? The forth and last step is to describe at what level the Scenario Analysis is made, e.g. at corporate level, at function level or at a single department. Different levels and departments may have different cultures.*

We have chosen to set the time frame to five years. By setting this time frame we cover the turnaround of Nissan Motors and recent trends observed at a corporate level in Japan. We also believe that five years is easier to imagine when asking employees about the future compared to ten years. If we were to look at social-cultural trends it would be more realistic with a time frame of at least 10 years in order to observer any significant changes. Since corporate culture is believed to be influenced by business environment and global trends it is more reasonable to have a shorter time frame since these two aspects change more rapidly. Another reason for the chosen time frame is the corporate context that is an acquisition. It would not be well suited to have a time frame stretching over five years since the acquisition process often is a source of changes during a shorter period of time.

We have read material regarding both the social culture as well as general corporate culture in Japan and the characteristics are described below in short.[29] It is important to keep in mind that this is the general description and should not be used to judge. Japanese people are more likely to be **status-oriented** compared to the average westerner. This may have the effect of more formal interaction, less willingness to share ideas freely with people on another level, and to be more deferential towards seniors. Japanese people tend to be more **restraint-oriented**. This may be perceived in such ways as that they spend more time building relationships, spend more time making sufficient preparations and planning projects before executing, and take time to build consensus and engage discussions. They may have a more **indirect** style.

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[29] This information is a summary from www.globesmart.com (2008-01-30)

This may have the effect that they are less willing to ask questions, especially around seniors. They may be more subtle when expressing disagreements and be less willing to discuss issues in public. Generally, Japanese people tend to be more **relationship-focused.** This may have the effect that they focus less on a task if it is at the expense of maintaining harmony within the relation, and that they are indirect in their criticism. Japanese people tend to put focus on a **long-term** view. This may imply that they take more time to develop and sustain business relationships as well as spend more time planning how to reach long-term strategic goals.

The context in which this study takes place is an acquisition. It is important to keep this in mind since new incentives to cultural change arise, both as a reaction to the acquisition as well as actions taken in the process of integration.

Most of the interviews at Nissan Diesel were conducted at the purchasing department. This department was chosen since we perceived that the integrations process had reach the furthest at this department. We are aware of that the culture differs inside an organization as well as between organizations but we had to make this delimitation due to limited recourses, e.g. time. This was also the department that gave us the best possibility to get in contact with expatriates.

5.2   Step 2. Identify Global, National and Corporate Trends

Possible links between country and organizational culture were described in step 1. The purpose of step 2 is to identify trends within the country and overall corporate culture that may affect the organization in question. The PESTEL framework is used as a way to identify these trends.

Japan was a closed country from 1638 until 1853. Even if there were an opening of the country people tented to stay in Japan and they were not happy to meet foreigners.[30] But today when the there is a globalization around the world Japan is forced to be a part of it in order to succeed. This is reflected in the politics, in the economy, in the society and in the technology development, as well as environmental and legal trends. Each aspect is followed by a short discussion to summarize potential trends.

5.2.1   Political

In Japan the Liberal Democratic Party (LDP) rules. It is a conservative political party and it is the largest party in Japan. The party has ruled for most of the years since its founding in 1955. LDP was a liberal party during the post-war era but today it is passably conservative.[31]

In 2001 Junichiro Koizumi became the prime minister. He promised to transform the country's political landscape. He became known as an economic reformer, focusing on Japan's government debt and the privatization of its postal services. Koizumi was a new type of prime minister, very different from the former leaders. In 2005, Koizumi led the LDP to win one of the largest parliamentary majorities in modern Japanese history.[32]

Before Koizumi became the prime minister most of the important decisions were made behind closed doors. Koizumi tried to change this and he always advocated openness. He never hesitated to appear in media which he was criticized for because people in Japan found him shallow and self-centered.[33] Koizumi also attracted international attention through his deployment of the Japan Self-Defense Forces to Iraq and the first foreign deployment of the Japanese military since World War II.[34]

After Koizumi resignation in 2006 Shinzo Abe became the new prime minister. At an age of 52 years old he was Japan's youngest prime minister since World War II. He was seen as a man in predecessor Junichiro Koizumi's image – telegenic, outspoken, and with a similar popular appeal to voters. Abe pushed for a more assertive foreign policy and a greater role for Japan on the world stage. Abe was very popular in the

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[30] http://www.freezoon.net/jap/japanfakta.html (2008-04-16)
[31] http://www.jimin.jp/jimin/english/ (2008-04-16)
[32] http://news.bbc.co.uk/2/hi/asia-pacific/1293536.stm (2008-04-16)
[33] http://mobil.sr.se/site/index.aspx?artikel=941148 (2008-04-16)
[34] http://news.bbc.co.uk/2/hi/asia-pacific/1293536.stm (2008-04-16)

beginning but after a series of scandals his approval ratings fell dramatically. A heavy loss for his ruling Liberal Democratic Party in upper house elections in July 2007 was one on the reasons for his decision to resign. On 12 September, 2007 Abe abruptly resigned his position as prime minister to be replaced by Yasuo Fukuda. Fukuda was 71 years old when he accede the position.[35]

Fukuda, sometimes described as a foreign policy "dove", has more soft approach than Koizumi and Abe. Fukuda is typical Japanese politician who is a bit afraid to speak out. External interviewees says that Fukuda will be pressured to further slow down the political and economic reforms undertaken by Koizumi to shore up the party's traditional voting base.[36]

> *"Today's Liberal Democratic Party is facing grave difficulties," Fukuda said in a short acceptance speech. "First of all, I will work to revitalize the Liberal Democratic Party. Then I would like to regain the people's trust and remake this into a party that can steadily carry out policies."[37]*

Discussion
Koizumi and Abe were reformers who tried to change Japan. Koizumi was successful and popular but Abe did some mistakes which led to his resignation. Fukuda who presently is the prime minister is more an old traditional Japanese politician. New political and economical reforms during the beginning of 2000 will probably not continue at the same speed due to the change of leadership.

5.2.2 Economic

Japan is the world's greatest nominal economy after USA. The economic situation is relative weak but rather stable. The country has not revitalized from the economical collapse in the 90s. The collapse affected banks and government willingness to aid and support companies in crises. (Ghosn, et al., 2005) The country tries to increase foreign investments and also to simplify the bureaucracy to re-energize the expansion. The large Japanese companies make profit while the small companies still face problems. The customer's purchasing power is strong but it seems that the customers are afraid that there will be new declines in the economy.[38]

Some specific trends within supplier relationships due to the previous recession are: (Lamming, 2000):

- Increased pressure upon suppliers to reduce costs on their own initiative.
- Supply bases being 'rationalized'.
- Customers' target costing/cross functional teams rarely involve suppliers.
- Buyers prefer to re-source if a supplier cannot meet targets.

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[35] http://news.bbc.co.uk/2/hi/asia-pacific/4392480.stm (2008-04-16)
[36] http://www.iht.com/articles/2007/09/23/asia/japan.php (2008-04-17)
[37] http://www.iht.com/articles/2007/09/23/asia/japan.php (2008-04-17)
[38] http://www.aktiespararna.se/artiklar/Reportage/Japan--ater-en-ekonomi-i-varldsklass/ (2008-04-17)

- Suppliers encouraged dealing with their parent's competitors.
- Firms expect first-tier suppliers to manage second-tier relationships.
- Some keiretsu bonds appear to be weakening.
- Japanese firms and overseas suppliers: changes in sourcing strategies in Japan.
- Mutual long-term benefits only valued as adjunct to market competitiveness.
- Transaction terms are increasingly stringent.
- Customers 'cherry picking' from suppliers' ranges of products.

The export is going strong, a lot due to the weak yen and a strong demanding market in Asia. Japan has some structure changes to solve; a third of the employment is part-time employees with considerably lower wages.[39] The labor market is a huge problem for Japan. The lifelong time employment still exists but it has been complemented with a large group of part-time employment.

> *"Foreign companies are in a position to recruit talent that local companies might neglect. For example, over 2.5 million university graduates in Japan are currently working in temporary or part-time jobs at low salaries, since companies were not hiring when they graduated. The longer they stay "freeters," or aimless part-time workers, the more difficult it is for them to find full-time jobs in traditional Japanese companies. Appropriate full-time positions may be very appealing to them."[40]*

Companies make money out of this since it result in lower personnel costs but it also provide big problems. The part-time employees are blocking the private consumption. Japan has a big demographic challenge to face. The workforce will shrink with about 10 million people until 2030. A lot of reforms have to be done and social welfare systems have to be built. [41]

There are changes in the global competitive environment and this is a challenge to face for country like Japan. Globalization has taken away much of the stability that shielded the Japanese economy and allowed an insular and ethnocentric management approach.(Haak, et al., 2005) Even if there are some negative conditions in Japan there have been positive developments the last couple of years which has led to an optimistic nation. The positive world conjuncture has led to growing exports and increased investments. People in Japan hope to build a stable growing economy.[42] The M&A landscape of Japan is changing as mentioned in the introduction. This affects the shareholder pattern. The characteristic cross-shareholdings (e.g. Keiretsus) amongst companies and institution fell on a value basis from 18.5 percent in 1987 to 7.6 percent in 2003 and long-term shareholdings fell from 45.8 percent to 24.3

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[39] http://www.pacificbridge.com/publication.asp?id=28 (2008-04-22)
[40] http://www.pacificbridge.com/publication.asp?id=106 (2008-04-25)
[41] http://www.aktiespararna.se/artiklar/Reportage/Japan--ater-en-ekonomi-i-varldsklass/ (2008-04-17)
[42] http://www.aktiespararna.se/artiklar/Reportage/Japan--ater-en-ekonomi-i-varldsklass/ (2008-04-17)

percent. During the same time foreign shareholdings have increased to surmount almost 24 percent of all Japanese shares.[43]

Discussion

The economical collapse and the increasing globalization may act as catalyst to change. The economical disturbance has affected institutions willingness to aid and support troubled companies. The recession also seems to have affected the relationship between suppliers and manufacturers in Japan. Some of the previous characteristics of Japanese supplier relationships, such as the Keiretsus and long term relationships, seem to be changing. Furthermore, the demographic challenge ahead may impose a revamp of the traditional Japanese gender roles. Our interview with a recruiting agency confirmed a trend towards changing jobs, at least at higher management levels.

5.2.3 Social

As societies become wealthier, people tend to become more individualistic and materialistic. This translates into a move away from collective and partnership-oriented solutions towards more individualistic ones. Remuneration, pension and social security schemes are areas in which more individualized solutions are being sought globally.[44] This creates insecurity, confusion and friction in a country like Japan who is a collectivistic country.(Haak, et al., 2005)

> *"Interestingly, in higher-ranked colleges, with increased competition, more graduates are reportedly turning down jobs from traditionally prestigious companies such as banks, large manufacturers, and securities brokerages. Students' reasons for turning down jobs extend beyond factors such as salary, company reputation, or fringe benefits. They include poor prospects for future advancement, negative impressions during a job interview or work/life imbalance"[45]*

The relation to the family is very important. The Japanese people co-operate in their families, in school and at work. When they get problems they solve it together as a group which contributes that they have difficulties solving problems individual.[46]

> *"Foreign HR managers should realize that some younger Japanese are increasingly individual-minded as compared to their parents' "consensus" generation. More Western-style hiring practices such as appealing to recruits' interests and ambitions should not be neglected. "Quality of life" initiatives are also increasingly popular. According to the Japan Productivity Center of Socio-Economic Development, 15 percent of companies employing 5,000 or more employees now has work-*

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[43] http://www.jetro.org/content/264 (2008-05-07)
[44] http://www.pacificbridge.com/publication.asp?id=28 (2008-04-22)
[45] http://www.pacificbridge.com/publication.asp?id=106 (2008-04-25)
[46] http://www.sinoa.se/japan.htm (2008-04-17)

*from-home programs in place, and more are starting similar programs
every month"[47]*

Even though Japan is a rather modern country it is still has a very segregated society with traditional gender roles. The man is supposed to support the family and the woman is in charge of the house and the family. Men and women have different conditions; there are huge salary gaps and it is much harder for a woman to position a managerial post.[48] A lot of the women that we meet hope that this will change in the future.

*"Women are also a relatively neglected category of skilled employee.
According to Japan's Gender Equality Bureau, in 2005, women occupied
only 10 percent of management positions in Japan (up 1 percent since
1995), compared to 32 percent in Germany and 42 percent in the United
States. Ambitious members of this developing talent pool are often good
choices when hiring employees for Western companies in Japan. Many
foreign companies have begun to send their most promising female
employees to training workshops and executive coaching programs to
help women join the next generation of leaders"[49]*

Discussion
There are changes going on in Japan. The younger generation is demonstrating this by example taking part-times jobs and also shifting jobs. Also a lot of the young people are striving to stick out by dressing in extreme outfits. In every corner you can find American lookalike junk-food chains. When we were in Japan we felt that there are changes going on, the society is influenced by west but the question is if norms and traditional values also are influence or if it is too deeply rooted.

5.2.4 Technology

Japan has for a long time been one of the world's greatest technology developers but now days Japan have a lot of competitors around the world. New high technology industries are becoming increasingly important. Some countries around the world is creating breakthrough innovations and these countries have an advantage over countries like Japan with mature industries whose strength lies more in incrementally perfecting products.(Haak, et al., 2005)

Industries such as IT and communications have not only become increasingly significant in terms of their relative share of wealth creation, but also their products have facilitated spectacular gains in the organizational efficiency of unrelated industries. Some countries that have fully embraced dramatic organizational changes have improved their performance substantially, while countries like Japan have been more reluctant to do so have become less competitive.(Haak, et al., 2005)

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[47] http://www.pacificbridge.com/publication.asp?id=106 (2008-04-25)
[48] http://www.sinoa.se/japan.htm (2008-04-17)
[49] http://www.pacificbridge.com/publication.asp?id=106 (2008-04-25)

Service is increasing relative to manufacturing. Countries with long-standing strengths in service industries such as finance, consulting, communications and entertainment are benefiting from this development while manufacturing-oriented countries like Japan are suffering.(Haak, et al., 2005)

Engineers have always had a lot of power in Japan. For years engineers were developing innovative products but no customers understood the meaning of the products. Today those companies will not survive in a competitive Japan. Product planning is extremely important to succeed. Japanese people are enormously picky when it comes to quality. The companies in Japan are aware of this and the companies know that it will lose its customers if it will not provide superior quality in its products. This result in major product developments, applications, service and quality are all created in Japan and it takes about two to three years before the rest of the world see the result.(Åkesson, 2008)

Discussion
Both the case of Nissan and Renault, interviews and literature concur that Japan have had a stagnation within areas of product planning and development but the trend is that they are becoming aware of this and taking measures. They can no longer rely on their quality skill and incremental improvements since other low-wage countries are moving up in this field.

5.2.5 Environmental

Environmental awareness in Japan is strengthening but there is a difference between the environmental awareness of the Japanese people compared to the Japanese companies. The Japanese approach to environmental awareness among the people is not mainly focused on consuming less (as in Europe) but embraces an environment-focused lifestyle based on new (often premium) products, e.g. more environmental friendly appliances.[50]

Corporate environmental management among Japanese organizations has been increased as in general and it is expected that the financial industry should do more for environmental protection. The environmental market in Japan is forecasted to grow about 60 percent between 2000 and 2010. [51]

> *"In response to serious pollution problems encountered in the 1960s and 1970s, the government and people of Japan implemented measures to restrict car exhaust emissions, factory smoke and other forms of pollution. In addition, laws have been introduced to reduce the growing amount of waste, such as the Law for Promotion of Effective Utilization*

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[50] http://www.kilian-nakamura.com/blog-english/index.php/ (2008-05-08)
[51] http://www.asria.org/events/taiwan/oct03/lib/05_Masaatsu_Sompo.pdf (2008-05-08)

*of Resources enacted in 1991, the Home Appliance Recycling Law in
2001 and the Food Recycling Law, also in 2001."*[52]

In April 2005, the Ministry of the Environment initiated a project referred to as
"Team Minus 6%". This is a national project that aims to encourage both individuals
and companies to fight the global warming. The project consists of six specific
actions: set air conditioner to 28 degrees, cut back on water use, stop idling cars, buy
environmentally friendly products, decline excessive wrapping of shopping purchases
and unplug unused appliances.[53] The extensive use of packaging is an issue that we
got well aware of during our stay. The name of the project derives from the amount of
greenhouse gas that Japan is to cut according to the Kyoto Protocol. [54]

Discussion
Japan seems to follow the general trend of environmental awareness around
industrialized countries. There seems to be some differences on how the people of
Japan approach the issue compared to countries in Europe. The issue of
environmental legislation and increased awareness was brought up during some of
our interviews and confirms this trend.

5.2.6 Legal

There is a change underway in the legal environment regarding M&A and entry of
foreign companies. Laws, guidelines, and institutions governing business and M&A
are changing for the better from a western perspective. Legislative trends over the
past years include (PriceWaterhouseCoopers, 2004):

- Increased flexibility in anti-monopoly rulings.
- Increased possibility to use stock options.
- Simplifications regarding the establishment's subsidies.
- Easier rules for formation of holding companies.
- More permissive tax code to accommodate restructuring.
- Foreign buyers will be allowed to initiate stock for stock deals.
- Possibility of cash out mergers.

Discussion
There is a trend towards opening up for foreign firms that tries to enter the Japanese
market. This is in line with the increasing amount of M&A and the trends within the
political and economical factors.

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[52] http://www.jetro.go.jp/en/market/report/pdf/2005_54_s.pdf (2008-05-08)

[53] http://www.jetro.go.jp/en/market/report/pdf/2005_54_s.pdf (2008-05-08)

[54] http://www.jetro.go.jp/en/market/report/pdf/2005_54_s.pdf (2008-05-08)

5.3   Step 3. Identify and Structure Cultural Aspects

> *Use the elements presented in the Cultural Web in order to identify and structure different cultural aspects that may affect the outcome of a new corporate culture. The aspects could also be divided into subgroups under each of the eight elements, e.g. Internal and External.*

We have used the Cultural Web as a framework to identify and structure different aspects that could matter to the corporate culture. (O'Brien, 2004) suggest that the PESTEL framework should be used to identify and structure the different aspects but as we described previous, the eight element of the Cultural Web now fulfills this purpose. We also classified the different aspects under each element depending if they are to be considered internal or external. By internal or external we refer to if their characteristics are affected mainly by external or internal forces. The knowledge we have acquired through written material, the first interviews, and discussions between the two of us made us come up with the aspects that we have summarized in A2 – Cultural Aspects page VIII. Some of these could be described through the pair-wise comparison between the Anglo-Saxon and Japanese management model page 39. In order to be able to make a study within the time limit and to keep it comprehendible, the number of aspects or uncertainties needs to be narrowed down. This is done in the next step.

5.4 Step 4. Reduce the Number of Cultural Aspects to Key Aspects

> *Reduce the cultural aspects to those that are believed to have major impact on the outcome of a new organizational culture. It is important to keep in mind why the scenario analysis is conducted; what kind of changes and implementation is desired and how are these linked to the cultural aspects? The selected cultural aspects are referred to as cultural key aspects.*

A reduction of the aspects is required in order to make it more comprehendible and to narrow it down to doses that are believed to have influences in the particular case. In the case of (O'Brien, 2004) this is done by assessing their risk (impact*probability) and arranging them according to value. In our case, this was done through discussion were each of the aspects were handled. Depending on each aspect perceived influence on the Scenario Analysis combined with the possibility to get reliable information helped us narrow down the number. We reduced the number of aspects to 16 key aspects and these are presented below:

- Way of communication within the organization.
- Stakeholder's affect on governance of the organization.
- External influences on the Keiretsu networks.
- What is monitored and controlled within the organization.
- Organizational Goal and Objectives.
- Business model.
- Formal or informal structure.
- Power possessed by external stakeholders.
- View of leadership.
- Powerbase.
- Strategies highlighted in publicity.
- Titles.
- Stories and myths told within the organization.
- Recruitment.
- Introduction, transformation, apprenticeship, training, and education of employees.
- Ways of handling opportunities and changeovers.

Each of the remaining key aspects was used to form the questionnaire. Questions were created under each aspect with the intention to capture the characteristics of the key aspect through interviews with the employees and expatriates. The questionnaire is described in A3 – Questionnaire page X.

5.5   Step 5. Identify the Characteristics of each Cultural Key Aspect

The purpose of the fifth step is to assess the characteristics of each selected cultural key aspects within the organization in question. It is crucial to make interviews and first hand observation within the organization in order to make reasonable assessments. It is also important not to solely focus on the present characteristics, the past as well as the future need to be considered. Potential trends within the characteristics are identified both through the oral interview as well as the questionnaire the interviewees filled out. These trends are presented under Past and Future for each cultural key aspect.

This chapter contains summary of our interviews and observations at Nissan Diesel. Our questionnaire has eight different chapters, each corresponding to the eight different elements of the cultural web. Therefore, this chapter will have the same structure as our questionnaire. The questions that were asked are stated in A3 – Questionnaire page X. The answers of the following discussion will be summarized into matrixes in order to show on differences depending on nationality and age. The topics/questions that were brought up by us are presented above each box. The definitions of the axis are age and nationality. The ninth and last element, i.e. Processes, was added by us in order to cover some essential questions that did not fit the cultural web.

The expatriates and employees at Volvo 3P were told to answer how they perceived the different culture key aspects at Nissan Diesel. By expatriates we refer to those from Volvo Group that work at Nissan Diesel for an extended period of time. By Volvo 3P employees we refer to people not situated at Nissan Diesel but who works with them on a global basis, mostly GPM (Global Purchasing Manager).

Our questionnaire included a form in which the interviewee was asked to fill in perceived past and future characteristics of the key aspect. These answer are summarized as "past and future" under each element. The answers are also presented in the A4 – Perceived Development of Key Aspects page XVII.

5.5.1   Communication

Way of communication within the organization.

	Employees at Nissan Diesel	**3P Expatriates at Nissan Diesel**	**Employees at Volvo 3P**
Under Mean	• When problem arise, ask manager. • Respect for seniors. • Face-to-face communication is important. • Formal process in order to start communication with other departments.	• Mixture of formal and informal, both extreme exists. • Information is spread quickly. • Read-out-load newsletter. • Many formal and informal meetings. • Lot of email used to keep contact with suppliers. • 10 minutes debriefing each day by manager.	• No direct feedback due to fear of losing face. • Important to make it visual in order to get through. • Extensive discussion to make everything clear. • Informal within own group but not outside.
Above Mean[55]	• Formal, purpose of meetings has become clearer. • Frank but kind. • More face-to-face vs. IT. • Lots of small meetings to prepare big issues. • Communication is held at same level at the start of a task.	• Not much official mail with summaries from meetings. • Very fast communication between managers and employees. • Not much communication between departments (cross-functional). • Formal, well prepared. • One-way mass communication. • Good communication within group, formal/slower outside.	• Language barriers are considered to be one of the biggest challenges. • Challenge to cascade information down through the organization, tend to stuck. • Make things clear trough visualization. • Important aspects of politeness and fast response.

Table 18. Summary of comments regarding communication

Present
The fear of losing face and the respect of seniority is still an important aspect. Some expatriates have observed changes where younger employees (women) at Nissan Diesel made attempts to step outside the conformity. The communication process is described as informal and swift inside the group but formal as soon as some higher manager or other function is involved. The Japanese employees perceives the new way of communication (more direct) as "frank but kind" and they believe purpose of the meetings and discussions has become clearer.

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[55] By "Above" or "Under Mean" we refer to the mean age within the groups of "Employees at Nissan Diesel", "3P Expatriates", and "Employees at Volvo 3P". Since the mean age differs between employees at Nissan Diesel and Volvo this was a simple way to segment the interviewees. Data from the survey made by (Ekman, et al., 2007) gives an approximately ND mean at 45 years and a Volvo mean of 35 years. We or not interested in the exact age of each interviewee but if there are general differences between the younger and elder generation.

Past and future

Is communication mostly formal or mostly informal?

The answers given by the Japanese employees do not show if the way of communication has changed over the last five years or if they believe if it is going to change during the future five years. At present, they perceive the communication to be more formal than informal. Both external interviewees and expatriates at Nissan Diesel believe that the communication is changing from a more formal to more informal, a more "flat" organization.

Discussion

The variance of answers given by the Japanese employees at Nissan Diesel might come from the changes within organization that is undergoing at the moment.

5.5.2 Control Systems

Stakeholder's affect on governance of the organization.
External influences on the Keiretsu networks.
What is monitored and controlled within the organization.

	Employees at Nissan Diesel	3P Expatriates at Nissan Diesel	Employees at Volvo 3P
Under Mean	• Keiretsu; known suppliers are preferred compared to unknown. • Important to get manager's approval.	• Close ties to government since it is an important industry. • Personal relationships instead of supplier evaluation.	• Issue with initiative, often need to ask manager. • Power of Keiretsu is decreasing, depending on industry.
Above Mean	• Keiretsu destroyed by Carlos Ghosn. • Focus on operating costs. • Hoshin Kanri[56] very clear and well documented process. • Faire trade checked by government.	• Quality is most important. • Financial targets were introduced by Renault, but difficult to measure.	• Focused on costs, not necessarily linked to manufacturing. • Focused on details.

Table 19. Summary of comments regarding control systems

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[56] A concept for planning and leading and it is implemented at two levels; strategic (2-5 years) and day-to-day. It is considered to be one of the pillars in TQM. The method can also be described as a implementation of the PDCA cycle.

Present

Younger employees at Nissan Diesel express the need to get managers approval on their work. The same observation is brought up when talking to employees from Volvo 3P. Personal relationships serve as a control system for both external and internal relationships. Employees at Nissan Diesel refer to Carlos Ghosn work dismantling the Keiretsu and think that external stakeholder such as the government plays a larger role. Hoshin Kanri is an important part in the short-and long-term planning.

Past and future

External Stakeholder affect on governance?

The answers given by the Japanese employees at Nissan Diesel show no past or future trends of external stakeholders affect on governance. External interviewees and expatriates both believe that external stakeholders such as banks and keiretsu have a decreasing influence on the governance of the organization.

What is monitored and controlled within the organization?

Expert as well as expatriates and employees at Nissan Diesel believed that focus in changing from long term stability and market share to financial figures and profit. There is still some difference to what extent this is believed to change. External interviewees and employees at Nissan Diesel are slightly more moderate in their assumptions.

Discussion

Almost all of the Japanese interviewees talked about the new way of doing business. They were all familiar with Volvo processes and operations within the purchasing area and referred to them when they talked about their work. Reasons for the significant variance in answers regarding external stakeholders are probably misunderstanding of the definition of stakeholder. Some referred to Volvo as an external stakeholder and consequently they have a lot of impact.

5.5.3 Incentives

Organization goal and objectives.
Business Model.

	Employees at Nissan Diesel	**3P Expatriates at Nissan Diesel**	**Employees at Volvo 3P**
Under Mean	• Global and international possibilities are attractive. • Important with shorter days and holidays. • Visit suppliers. • Go overseas. • Education; to become a good buyer. • Japanese company, nation, and country.	• A higher purpose; nation and company. • Youth wants more, more individual. • To learn English and exchange with other units within Volvo. • Younger generation still afraid of seniors and suppliers, but this is changing.	• 2 to 4 extra salaries each year as a standard.
Above Mean	• No link between incentives and goal. • A general shift in new generations towards global. • Loyalty to group. • Bonuses twice a year to all employees.	• Attitude towards change job and to go abroad is changing. • Difficult balance between personal relationships, personal opportunity, Volvo's demands, and security within group. • Security and own career. • Incentives not clearly linked to business. Linked to goal but goals not linked to profit.	• Difficult to attract new employees due to location and worn down offices.

Table 20. Summary of comments regarding incentives

Present

Changes are taking place although the higher purpose of working still matters. Both young and older employees at Nissan Diesel say that there is a general shift towards a more global thinking. New possibilities such as language education, supplier visits, and visits to other business units abroad attract. Although there is a difficult balance between getting more individual and still keep the security of the group and conformity. Incentives have often been linked to a higher purpose such as the group, the company or the nation. Yearly bonuses have been paid on a standard basis without link to performance.

Past and future

Are incentives aligned with organizational goals?

The answers given by the different groups differ. It is not possible to make any assumption from the answers given by the employees at Nissan Diesel. Expatriates believe that the incentives are becoming less aligned with the organizational goals while external interviewees believe there is an opposite trend, i.e. the incentives are becoming more aligned with the organizational goal.

Are incentives aligned with business model?

This question gave the exact same answer as the question above with the exception that the employees at Nissan Diesel perceives that the incentives are becoming more aligned to the business model.

Discussion

The different answers stated by expatriates and external interviewees might derive from the different perspective they are observing. The answers given by the external interviewees are from a more general point of view.

5.5.4 Organizational Structure

Formal or informal structure.

	Employees at Nissan Diesel	3P Expatriates at Nissan Diesel	Employees at Volvo 3P
Above Mean	• Promotion due to personal relationships. • CFT, a good way to start communication.	• No formal cross-function groups but works informal. • New matrix organization seems to be difficult in the beginning.	• No comments.
Under Mean	• Uses project teams, same as CFG or CFT. • Influence from Nissan Motors and the alliance with Renault. CFT and V-UP teams. • Close relationships between managers and employees in own department. • Carlos Ghosn introduced CFT. • Informal Cross Functional Networks.	• Old and close personal relationship across departments. • Internal rivalry. • Title linked to age and not responsibility • No official cross-function teams.	• Formal chart but still informal and long-term relationships.

Table 21. Summary of comments regarding organizational structure

Present

There is a close relationship between manager and the employees within the group. Everyone knows about CFT and often refers to Carlos Ghosn who introduced the concept but there are no official CFT at the moment and they are not used to work in project on a standard basis. This is changing in purchasing since they are working on synergy projects.

Past and future
Well defined organizational charts versus more informal cross function relations?
The expatriates and external interviewees believes that the organization is becoming less formal and that cross function teams and communication between department is going to play a larger role. The employees at Nissan Diesel believe that the organization is becoming more formal. Some of the interviewees stated that they have used more informal CFT but that this is becoming more formal CFTs through projects due to the integration.

Discussion
The different answers given by the employees at Nissan Diesel compared to answers given by the external interviewees and expatriates might be connected to the new form of organization that is being introduced. The Japanese perceives that it becoming much clearer who is responsible for what and so on. The external interviewees and expatriates beliefs organization has been very formal due to the importance of seniority and hierarch, and they believe that this is changing.

5.5.5 Power Structure

Power possessed by external stakeholders.
View of leadership.
Powerbase.

	Employees at Nissan Diesel	**3P Expatriates at Nissan Diesel**	**Employees at Volvo 3P**
Under Mean	• A manager should, lead, organize, and make summaries. • The Keiretsu affect a lot, a lot. Need to benchmark more.	• Suppliers have had major influence, is changing. • Age is power, 10 vs. 30 years. • Product development production seems to have more power.	• R&D has the power
Above Mean	• Product development has the power. • Corporate planning has the power. • Managers must be able to lead without pulling. • The keiretsu is a give and take relationship (3000 units, 10percent), seen as help/support. • Connection to labor union, cooperate to enhance profit.	• The manager is never questioned. • PD has most power.	• No comments.

Table 22. Summary of comments regarding power structure

Present

The keiretsu is considered to be important since it contributes to 10 percent of domestic sales but both employees at Nissan Diesel and Volvo 3P think that's this is changing. Employees at Nissan Diesel described the labor union as partner that helps the corporate to enhance profit but it does not have any particular power. Both some of the interviewed employees and expatriates describes that Product Development is perceived to have more power compared to other departments. The keiretsu has had influence in the way purchasing works but no specific examples are given.

Past and future

Power possessed by external stakeholders (Keiretsu)?

All groups believe that the power of the keiretsu is decreasing. Many of the employees at Nissan Diesel brought up the case of Nissan and Renault and what Carlos Ghosn did. External interviewees also perceive a change although that some industries like banking and trucks are believed to change a bit slower.

Importance of seniority and experience compared to personal skill and performance?

Both external interviewees and expatriates believe that personal skill and performance is becoming more important and usual. The Japanese perceives that mix is to be preferred and no clear trends can be interpreted by their answers.

Is power equally distributed or does it belong to some department or function?

Both external interviewees and expatriates at Nissan Diesel agree on that the power distribution is changing. They perceive that the power within the company is getting more equally distributed and certain department such as product development is losing some of its influence. Employees at purchasing speaks of that all department are important and they often talks about the importance of other department than their own.

Discussion

Both interviews and our own studies show that the affect of the Keiretsu is diminishing. Some of the employees at Nissan Diesel think this is good although they expressed the security with keeping an old supplier. The external interviewees are the ones that are most moderate to what extent they believe this is going to change during a five years period. Both external interviewees and expatriates think that performance and skill is getting more important and accepted in the organization.

5.5.6   Symbols

Strategies highlighted in publicity.
Titles.

	Employees at Nissan Diesel	**3P Expatriates at Nissan Diesel**	**Employees at Volvo 3P**
Under Mean	• UD (Ultimate Dependability) originates from a very famous engine, something to take advantage of. • An environmental friendly company. • Unclear connection between title and responsibility, e.g. deputy general manager.	• Proud of quality and technical innovation. • Titles bigger than responsibility. • The product and its quality • The brand and identity is very important. • Keeps two sets of business cards.	• No comments.
Above Mean	• UD, a very famous engine 13 years ago. • Proud of product.	• Different vocabulary depending on what level you communicate. • Technology and environmental protection. • "Friendly Trucks" • Shut down light in order to save money.	• Titles connected to age and seniority and not performance

Table 23. Summary of comments regarding symbols

Present
Both employees at Nissan Diesel and expatriates express unclear or vague connection between title and responsibility. Some other important aspects that are mentioned are the pride of product, quality, and brand identity.

Past and future
Is strategy highlighted in publicity mainly about growth and profit or stability and relative market shares?
The answers given by the Japanese employees show no particular trend. The expatriates perceives that this is changing towards more emphasize on growth and profitability while the external interviewees believes the contrary.

Are titles connected to responsibility and task?
Both employees at Nissan Diesel and the external interviewees perceive that titles correlates with task and responsibility. Although some of the employees express that they do not understand why some of the positions within the organization exist. The answers given by these two groups do not show any particular trend. The expatriates perceived that this was changing and responsibility was becoming clearer.

Discussion

The difference in answers between the expatriates and employees at Nissan Diesel might originate from that the Volvo organization is being introduced. The expatriates are of course more familiar with this and think it is very clear while the Japanese employees are still adapting to it.

5.5.7 Stories & Myths

Stories and myths told within the organization.

	Employees at Nissan Diesel	3P Expatriates at Nissan Diesel	Employees at Volvo 3P
Under Mean	• The previous alliance with Renault (Common suppliers). • Financial trouble ten years ago, lay-offs.	• Never heard any stories or myths at Nissan Diesel	• No comments
Above Mean	• The young are positive to the Volvo Way. • Low fuel consumptions and environmental friendly. • Difficult situation 10 years ago, low salary and motivation. • Carlos Ghosn, CFT and Keiretsu	• Never heard any stories or myths at Nissan Diesel	• Japanese people going abroad are no longer considered as one of the group.

Table 24. Summary of comments regarding stories and myths

Present

When asked about stories and myths, some of the Nissan Diesel employees refer to previous financial trouble and the alliance with Renault. The senior employees refer to Carlos Ghosn and actions taken such as CFTs and the measures against the keiretsu. 3P expatriates could not give any examples of stories and myths that they had heard.

Past and future

Are the stories and myths within the organization reflecting success or failure?

Experts and employees at Nissan Diesel answer that the stories and myths are focusing more on success and are more positive now than before. The expatriates were not really aware of any stories that they could recall.

Discussion

Many of the employees talked about Carlos Ghosn and the Nissan Renault alliance. Some mentioned the less successful case with DaimlerChrysler and the poor economical situation the company has been in. The younger also referred to the Volvo way and the possibilities with a global company.

5.5.8 Routines, Rites & Rituals

Recruitment.
Introduction, transformation, apprenticeship, training, and education of employees.

	Employees at Nissan Diesel	3P Expatriates at Nissan Diesel	Employees at Volvo 3P
Under Mean	• Chose Nissan Diesel because of Volvo. • Colleagues always help out, no turf keeping. • People will continue to stay late, they like it. • Start at same level, test and interviews to go to next level, 3 years at one level. • Fairness is important. • Students are recruited through university employees.	• The group comes first. • Managers "walk the walk". • Makes you feel part of the group. • All introduced at same level and given the same introduction. • Different medals are handed out under formal ceremonies, otherwise no encouragement. • No encouragements when everything runs smooth. • Long time before new employees are expected to deliver.	• Makes you feel welcome.
Above Mean	• 3 months introduction for all employees includes 2 months in factory. • Same level but different salary. • Perceives segregation between managers and employees e.g. suits vs. overalls. • Village-level-thinking.	• Works 9-21 in order to stay loyal. • Affective in ways such as communication with group, everyone is able to answer phone.	• No comments.

Table 25. Summary of comments regarding routines, rites, and rituals

Present

Both employees at Nissan Diesel and Volvo express the good cooperation within the small groups but some rivalry and turf keeping between different groups. The loyalty to the group is often referred to when they were asked about their working hours. All newly employees are introduced at the same level in the company and receive same extensive training. Expatriates perceive it takes a long time before employees are expected to perform. Carrier is made through certain levels where each new level require interview and test and each level is about three years. The younger employees at Nissan Diesel that were interviewed expressed their excitement about being a part of Volvo. Some of the elder expressed concern that western companies had more segregation between management and employees; they expressed the necessity of managers that could push the employees forward. They employees need to be motivated with a clear vision and facts.

Past and future
Is new employees (students) recruited actively or through general channels?
Both employees at Nissan Diesel and the expatriates agree on that new competence is needed to succeed. Both groups believe that the way companies recruit and the idea of lifetime employment is changing. External interviewees did not show same pattern in their answers but almost everyone agreed on that the idea of lifetime employment was changing and that the younger generation at least express preferences when it came to work/life balance.

How are new employees introduced?
Both employees at Nissan Diesel and expatriates believes that this is changing from a more active and formal introduction towards an on-the-job training at the position. The external interviewees did not show on any trend.

Discussion
Almost all of the interviewees gave the answer; that they believed the younger generation had other preferences compared to their parents. At the same time, some expressed that although the youth expresses new ideas it does not mean there is an actual change going on. Both employees and expatriates believed the way new employees are introduced is changing. The past and present situation is that all new employees (students) go through the same program that includes 5 months introduction period. This is the process that both groups think probably is going to change. It takes a long time before they are expected to deliver result at the moment.

5.5.9 Processes

Ways of handling opportunities and changeovers.

	Employees at Nissan Diesel	3P Expatriates at Nissan Diesel	Employees at Volvo 3P
Under Mean	• Invite everyone in the change process.	• Change needs good people. • The key is young people with the right skill, more business than technology and administration.	• Need facts to believe. • Different perception of time.
Above Mean	• Needs to be communicated to employees several times by management. • Teamwork; everyone must understand, not only leader. • Pull vs. push employees. • Important to propose, not decide.	• Unclear plans and strategies made up as we go along. • Need sense of urgency and facts.	• Provide benchmark and hard facts. • Eager to learn and to try.

Table 26. Summary of comments regarding processes

Present
Almost everyone agrees on the importance to invite everyone to process. Expatriates and employees at Volvo explain the need to provide facts and benchmark in order to induce sense of urgency. Change needs good people and one of the key is young people with the right education.

Past and future
Swift changeover with emphasis on quick results or consensus and communication through the organization?
All groups believe that there is a change going on. The answers show a trend from consensus towards more swift changeovers. Although the employees at Nissan Diesel also perceive this trend they still emphasize the need to communicate the reason for change to everyone.

Discussion
Employees at Nissan Diesel and explains that it important to invite everyone to the process and that is a teamwork. It is important to propose and not just to decide.

5.6 Step 6. Identify Differences in Strategic Task

Differences in strategic task and the need for strategic independence is the second determinate of integration level. What differences are there and how may these affect the outcome of the integration process?

The theories that were introduced in chapter 4 page 40 regarding purchasing strategies, mainly concerns supplier relationships. The aspects of quality and costs have been introduced through interviews with employees at Volvo 3P. We have decided to focus on these three areas. We believe it will give us a fairly good picture of the differences within strategic task. This step is summarized with a discussion concerning how these differences affect the integration process.

The global strategies of Volvo 3P – Purchasing are not to be seen as explicit western purchasing strategies. "Focus on supplier performance" or "drive efficiency to operational excellence" are probably issues that most organizations would state. The same counts for "Build strong relationship with world class suppliers". One global strategy that could be seen as different at first glance is "More business with fewer suppliers". The differences exist in how these strategies are implemented and measured.

5.6.1 Supplier Relationships

The theories and studies presented in chapter 4 shows major differences in supplier relationship. Both US and Japanese automotive manufacturers claims to have both suppliers regarded as partners and suppliers kept at an "arm's-length" distance, i.e. they are not considered partners. Therefore, both sides believe that they have strategic segmenting of their suppliers. Although there are some significant differences in how the manufacturers in fact differentiate between the two types of suppliers. While US manufacturers show barely no differences in relationship characteristic the Japanese suppliers seems to have a more significant segmentation.

So both US and Japanese manufacturer's claims to have strategic segmentation of their suppliers but there are differences in how this is carried out in practice. I.e. both US and Japanese companies uses the concept of strategic segmentation but the practical definition seems to differ.

The differences within supplier relationship are no exception between Volvo 3P and Nissan Diesel. The fact that Nissan Diesel's supplier's stands for 10 percent of the sales have had an effect on the relationships.

5.6.2 Quality

Japanese manufacturers are generally known for the high quality. Quality is measured by part per million (ppm) both at Nissan Diesel and Volvo 3P. The ppm is not a quality measurement in itself but it is used to describe how many parts out of one

million that do not meet the set quality level. Nissan Diesels suppliers seems to have a significant lower ppm compared to Volvo 3P's. This difference is something that may act as a barrier to the integration of new strategic tasks, i.e. purchasing strategies. What seems to be better quality from Japanese supplier might hinder the strategies of global sourcing. Studies made by Volvo 3P shows that even though both companies use the concept of ppm, it seems like they measures it differently. For example, Nissan Diesel has chosen to measure the ppm on a certain segment and not all parts. E.g. the parts that they believe contribute the most to the customer's value.

Both Volvo 3P and Nissan Diesel use the same measurements of quality but the way they measures it in reality differs. This kind of difference may impose a barrier strategy implementation. E.g. Global 1500 since is become difficult to motivate the change if the benefit, e.g. improved quality, is unclear.

5.6.3 Costs

Both the theories comparing Western and Japanese purchasing strategies as well as interviewees at Volvo 3P confirm differences within cost reducing strategies. Western purchasing departments tend to conduct cost cutting initiatives on a more regular basis compared to Japanese companies. By regular basis it means that western companies tend to set new demands on an annual basis and that these can be quite substantial. Japanese manufacturers on the other hand seem to have a more incremental and continuous approach. This is confirmed during interviews. One interviewee from Volvo 3P described with a very simple picture. It is how he perceived the differences. Figure 20 illustrates that he believed that Nissan Diesel managed to set a lower price initial while Volvo 3P Purchasing started at a higher level but work more active with price reductions.
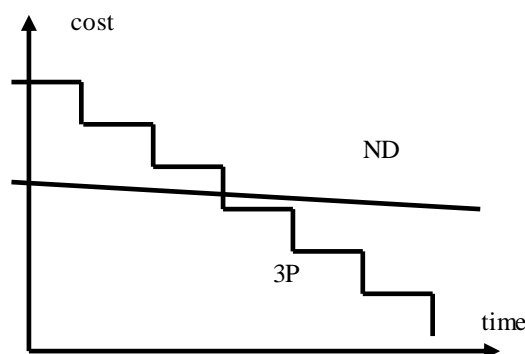
Figure 20. Comparison between ND and Volvo 3P target costing and cost cutting approach.

So the organizations seem to have different strategies regarding cost cutting. It is difficult to say which way is the most optimal. The suppliers of Nissan Diesel have previous worked with incremental cost cutting processes and continuous improvements. Volvo 3P on the other hand uses teams to identify major cost savings, e.g. through new productions system, and propose these changes to the supplier in Japan. We had the opportunity to attend a visit at a supplier where this took place.
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5.6.4 Discussion

From the analysis of these three aspects we see that there are significant differences between Volvo 3P and Nissan Diesel's purchasing department. The same kind of strategies is sometimes used but the practices and definition of it differs between the organizations. This may lead to a situation where straight forward comparison is difficult. Both organizations believe that they have the most efficient practice and this may create barriers to the integration.

So there are differences in organizational task. Volvo 3P's strategy is to have global purchasing where all involved units uses the same strategies, systems, and processes. This leads down to the issue that the Nissan Diesel employees must understand why they should change.

5.7   Step 7. Construct Scenarios and set Themes

Summarize all the information that has been collected though the steps above. Analyze PESTEL trends, and trends within the cultural and strategic task. Use the information and observation in order to construct the different scenarios. Set the different themes and describe the characteristics of each and one of the scenarios. The two axis of the scenario matrix addresses different areas. The vertical dimension addresses the culture while the horizontal axis focuses on strategy. The idea of these two dimensions derives from the two sets of determinates of integration level presented by (Haspeslagh, et al., 1991) *and* (Pablo, 1994).

Four different scenarios have been constructed and they are summarized in Figure 21. The matrix is made up of four quadrants. The characteristics of each scenario depend of the combination of axis. The attribute on the horizontal axis has been set to **Culture.** The vertical axis features **Strategy.** These two definitions derives from the two determinates of integration level presented by (Haspeslagh, et al., 1991) and (Pablo, 1994).

The scenarios have been created from the information presented in the steps above. From the six presented steps we have been able to deduce four different scenarios that may progress at Nissan Diesel. It is important to remember that none of these scenarios has been realized yet. There purpose is to show a variety of different outcomes depending on how the integration is managed. The most important part of this study is the process; the result more may be used as a base for discussion.

The vertical axis illustrates the amount of **"Level Credibility & Trust"** between the involved organizations. Trough our studies of the Nissan/Renault case, theories regarding integration, and our interviews we have come to the conclusions that this is very important for the success. The horizontal axis illustrates the level of **"Level Understanding & Support"** of the new strategies and way of working at purchasing. By understanding we suggest that it is crucial to motivate and show why the change is needed. By support we suggest that it is important to gain support not only from the managers at the purchasing department but also from levels above, all the way to CEO. This conclusion is also something we have reached through our studies and interviews.

The level of "Level Credibility & Trust" within the aspect of culture, combined with the level of "level Understanding & Support" within the strategically aspect result in four different scenarios. These four scenarios are presented below in our matrix. Each scenario has its characteristics and needs. The **"Characteristics"** attempt to illustrate the distinctness within the organizational culture and climate. The **"Needs to reach this scenario"** show some areas that should to be addressed in order to move towards this scenario. A more thorough description of each scenario is presented in chapter 5.7.1 to 5.7.4.
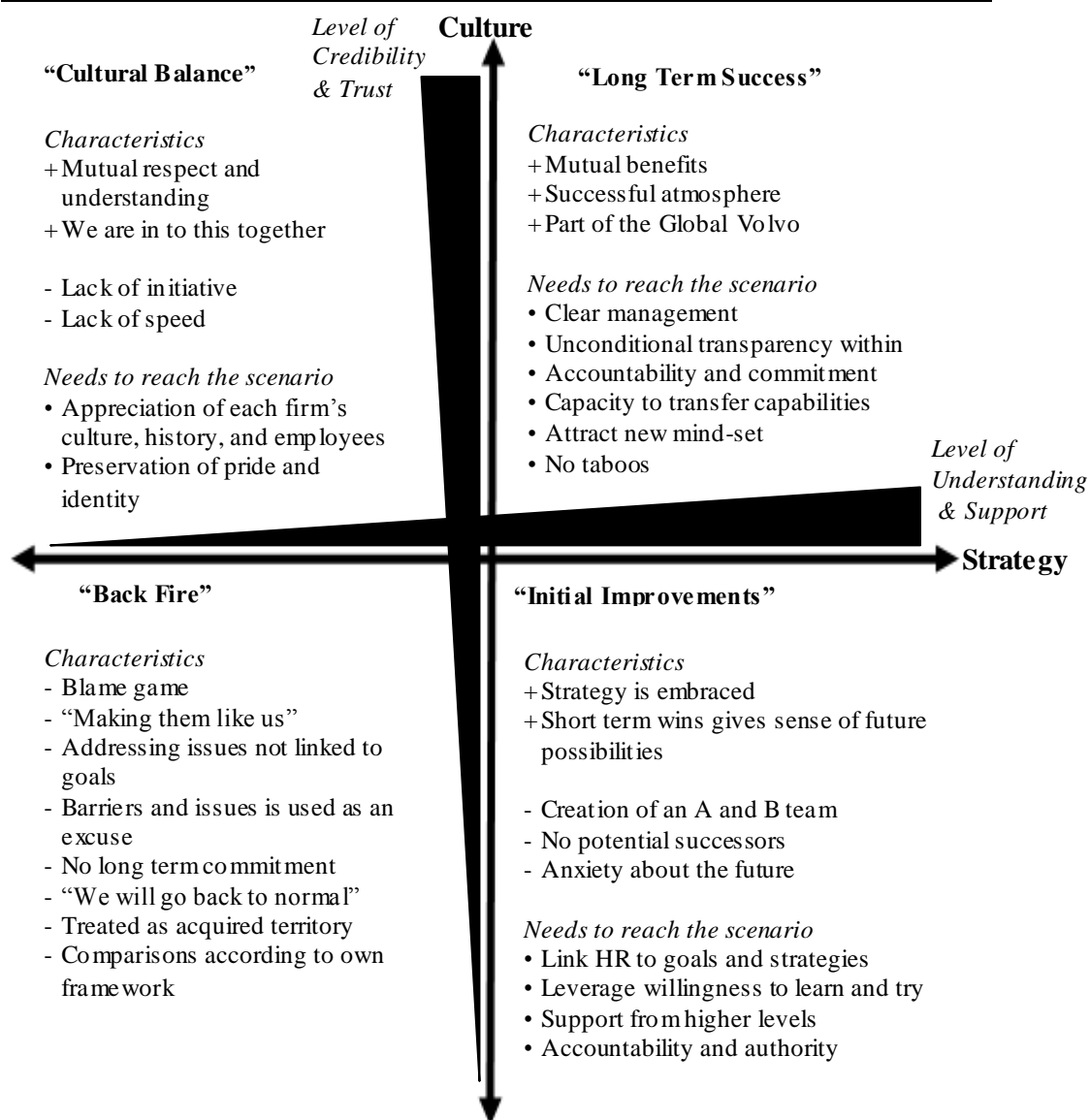
Level of
Credibility
& Trust

Culture

"Cultural Balance"

Characteristics
+ Mutual respect and
  understanding
+ We are in to this together

- Lack of initiative
- Lack of speed

Needs to reach the scenario
• Appreciation of each firm's
  culture, history, and employees
• Preservation of pride and
  identity

"Long Term Success"

Characteristics
+ Mutual benefits
+ Successful atmosphere
+ Part of the Global Volvo

Needs to reach the scenario
• Clear management
• Unconditional transparency within
• Accountability and commitment
• Capacity to transfer capabilities
• Attract new mind-set
• No taboos

Level of
Understanding
& Support

Strategy

"Back Fire"

Characteristics
- Blame game
- "Making them like us"
- Addressing issues not linked to
  goals
- Barriers and issues is used as an
  excuse
- No long term commitment
- "We will go back to normal"
- Treated as acquired territory
- Comparisons according to own
  framework

"Initial Improvements"

Characteristics
+ Strategy is embraced
+ Short term wins gives sense of future
  possibilities

- Creation of an A and B team
- No potential successors
- Anxiety about the future

Needs to reach the scenario
• Link HR to goals and strategies
• Leverage willingness to learn and try
• Support from higher levels
• Accountability and authority

Figure 21. Summary of the four potential developments of the culture and climate.

A more thorough description of each scenario follows. The purpose of this is to describe what kind of behavior and action, or the lack of it, that might lead towards each of the scenarios. Furthermore, it aims to illustrate possible correlation between the answers received through the interviews and the different scenarios. Each scenario is presented according to same structure as in the matrix, i.e. *characteristics* and *Needs to reach the scenario*.

5.7.1 "Long Term Success"

Characteristics

The scenario of long term success is characterized of both *initial improvements* as well as cultural balance. The employees at the purchasing department understand the motive and reasons to implement new strategies and operations. Volvo 3P is careful not to address differences just for the sake of it but focus on those essential in order to reach the goal of the integration. No one tries to blame setbacks due to the cultural differences but focus in the real underlying issues. The employees at Nissan Diesel's purchasing department feel confident and secure to speak out and there is a mutual trust between employees from different cultures. The employees feel that the expatriates are there with a long term mind set as well as short term. An atmosphere of reassurance is developed where the employees perceives a good future. The employees feel confident and prepared to continue working according to 3P's global strategies and operations ones the synergies project has ended. Responsibility and accountability is clear to everyone. It is all about "walking the walk", expatriates as well as employees at the purchasing department has to be committed.

Needs to reach the scenario

In order to move towards this scenario we believe that there are a couple of factors that needs to be considered. It is important to understand cause-and-effect of the real issues and challenges. It is not essential to grasp and understand all differences in culture and logic; in fact it is probably not even possible. The real issues should be addressed in a structured way. Changes should not be carried out just because "that is the Volvo way" but because they are one solution to the issue and more efficient. It is important to motivate this through hard core data such as benchmarks.

There must be a clear management consisting of both employees from Volvo and from Nissan Diesel. Together they must set up plans for the integration. Build a feeling that express *"We are in this together"*. There must be a clear vision with defined goals and a clear plan how to reach the goals. If there are not a clear management present at Nissan Diesel there will not be a successful integration. The management also must understand that corporate culture is the key to succeed. The must be a respect for each others culture and value that there actually are more than one culture.

Trust is created and barriers between groups are torn down through transparency. Everyone that wants to should be able to get information about what is being done and why, both present and future. Even if the information could be perceived as "bad" it is still important do communicate since it at least prevents anxiety and speculations.

Another crucial area is commitment from "both sides". Commitment to bring up issues, to suggest solutions, and to reach the target. Commitment also includes the aspect of taking the consequences if the target is not reached. To be able to demand commitment from Nissan Diesel's purchasing department, it has to be show from Volvo 3P.

There are additional needs that should be addressed in order to prepare the employees to continue the operations. New strategies and operations procedures may require new capabilities. If Volvo 3P wants to transfer their strategies and operations procedures into Nissan Diesel then they must reassure that they have given the receivers best prerequisites possible. The other area is to make Nissan Diesel a part of the changes from the beginning. By literally asking "what can you do?" involves the employees in the changes process and instills motivation. The third need for a long term success also addresses the capacity to transfer capabilities. It is important to attract and recruit new employees with the right mindset.

5.7.2 "Initial Improvements"

Characteristics
This scenario is characterized by temporary improvements. A sense of urgency and understanding of well motivated changes is present amongst the employees. Initial cost reduction synergies are reached due to synergy projects. These short-terms wins should be acknowledge and used to improve sense of future possibilities. Volvo 3P might perceive that everything is going according to plan but this might not be a win-win situation. The new strategies and way of operate has not really been brought up outside the synergy project group. The rest of the department have not been properly introduced to the new strategic task and are not prepared to continue the work. There is a risk that one A team and one B team has been created. There is lack of successors to continue the business in order to continue the improvements and reach other synergies such as capability transfer.

The two organizations do not care enough about each other's culture and the willingness to learn about each other is low. The organizations do not see how a common culture can be beneficial for the integration.

There might be anxiety about the future. This creates barriers to believe in future possibilities and success. Another reason for these barriers might be lack of encouragement and rewards for good performance. It is important to acknowledge short term as well as long term achievements.

Needs to reach the scenario
In order to reach improvements and to sustain the change there are some areas that could be considered. It is important to revamp and align HR issues such as incentives and career path to the goals and targets of the business. Of course, any changes must be based on facts, and not assumptions or personal feelings. The employees show enthusiasm about develop their skill and are willing to try new approaches. It is important to take this serious and use it as an advantage. Teamwork, group spirit, and loyalty are another area that should be underestimated or neglected. Both these aspects should be leverage properly. It is important to create accountability and responsibility so everyone knows what to do when the synergy project has ended.

5.7.3 "Back Fire"

Characteristics

The back fire scenario will probably arise when there is an acquisition but not enough attention paid to the practical part, i.e. the integration process. When the expected result is not realized it is easy to blame other departments and people. Assumptions about cause-and-affect may lead to that cultural differences are blamed. It is dangerous to make supposition from our western point of view. Worst case scenario is that both sides use these issues as an excuse for not succeeding.

5.7.4 "Cultural Balance"

Characteristics

Mutual respect and understanding for each culture has emerged but there is still a lack of urgency and understanding of the strategic task. Even if there is a mutual trust between involved parties, this is not enough. This may lead to lack of initiative and speed. Not much is changing. One reason to stagnation might be miscommunication. Issues rightfully need to be addressed but this is not communicated properly but this can be addressed and turned around. Positive characteristics of this scenario are mutual appreciations of each organization's culture, history, and employees and this is a good start. It should be kept in mind that Japan still ahs the second largest nominal GDP. Japan has endured world crises far better than many other countries. The important aspect of credibility is present and this important if motivation to changes is going to be instilled.

Needs to reach the scenario

There must be a respect and appreciations of each firm's culture, history, and employees. Also the employees at the different firms are interested of each other and they are willing to learn for each other's culture. It is important to preserve the pride and identity.

5.7.5 Summary of Trends and Potential Effect on the Scenarios

A summary of PESTEL trends and perceived trends within our cultural key aspects are presented below. The purpose of this is to illustrate how these trends affect the different scenarios. The affect is described as positive impact, negative impact, or no impact. We define positive impact as something that affects the scenario in a positive way, e.g. it increased the chance of "long term success" or it decreased the chance of "back fire". When we sat the scene we brought up the aspect of time frame depending on the context.

Our context for the scenario analysis is an acquisition. The PESTEL trends such as economical and political reforms probably have an effect in a more long-term run compared to the changes within the acquisition but we still believe it is important to check how external trends might affect the integration process. Down below is a summary of PESTEL trends and we refer to chapter 5.2 Step 2. Identify Global, National and Corporate Trends page 49, for a more detailed description.

	Long term success	Initial improvements	Back fire	Cultural Balance
Political • *Slow down of political and economical reforms.*	• No impact; positive atmosphere overcomes reform slow down.	• Negative impact; may be affected by external slow down since there are not enough trust.	• Negative impact; reform slows down and accelerates the process towards an unsuccessful integration.	• No impact; this scenario is caused by bigger issues than slow down.
Economical • *Decreased support from institutions.*	• Positive impact; feel the need to make it on their own and increases a sense of urgency.	• Positive impact; the decreased support might increase a sense of urgency.	• Positive impact; a trend of decreasing support from institutions might increase the trust and sense of urgency.	• Positive impact; this trend might affect indirect through an increased sense of urgency.
Social • *Increasing number of people changing work and youth appreciate global presence.*	• Positive impact; easier to attract new employees and to motivate them with new incentives such as exchange programs.	• Positive impact; being a global organization is an asset. Employees perceive this as a possibility.	• Negative impact; new more individualistic style affect climate negative amongst elder employees.	• Positive impact; appreciation of global presence might help to create credibility from both sides.
Technological • *Globalization forces change in competitive advantage.*	• Positive impact; awareness of that a new competitive landscape needs new strategies.	• Positive impact; changing competitive landscape increases a sense of urgency and the need to be global.	• Positive impact; change within the competitive environment should increase the understanding for changes and therefore decrease the chance of this scenario.	• Positive impact; a global organization need diversity and this can be reached through a balance between different cultures.
Environmental • *General trend of environmental awareness and initiatives from authorities.*	• Positive impact; Nissan Diesel is known for its "environmental friendly trucks" and they are proud of this.	• Positive impact; same as "long term success".	• No impact;	• Positive impact; the trend lever Volvos respect for the knowledge within Nissan Diesel.
Legal • *There is a trend towards opening up for foreign firms that tries to enter the Japanese market.*	• Positive impact; More firms entering Japan makes both types of organizational culture more familiar.	• Positive impact; new firms entering Japan and Japanese firms conducting M&A increase a sense of urgency.	• Positive impact; the increasing amount of M&A should not decrease the acceptances of M&A even though there still are some reluctance.	• Positive impact; same as "long term success".

Table 27. PESTEL trend and their affect on the different scenarios.

Down below is a summary of our cultural key aspects and we refer to chapter 5.5 Step 5. Identify the Characteristics of each Cultural Key Aspect page 58, for a more detailed description.

	Long term success	Initial improvements	Back fire	Cultural Balance
Communication • *Towards more informal as in "flat organization" and towards more formal as in official CFTs*	• Positive impact; many employees seems to experience this trend and they appear to understand why.	• Positive impact; if the trend is an affect of the need to work in a new way, this should facilitate the implementation of new strategies.	• Negative impact; unless they understand why this changing it might increase confusion.	• Positive impact; if a more flat organization encourage speak out this may affect the scenario in a positive way.
Control Systems • *Decreasing influence from bank and keiretsu.*	• Positive impact; this may affect the scenario positive since the support from institutions has been blamed to create lack of urgency.	• Positive impact; this may affect the scenario positive since the support from institutions has been blamed to create lack of urgency.	• Negative impact; new focus may create bad atmosphere amongst employees if they do not understand the reason.	• Positive impact; a decrease in the strength of relationships to external stakeholders might increase mutual trust between the organizations.
Incentives • *Are becoming more aligned with business goals and business model*	• Positive impact; employees feel that their ideas, willingness to try, and performance are appreciated.	• Positive impact; employees are aware of a change, willingness to try and change should be recognized.	• Negative impact; Might affect negative if changes are being made without the support of the employees	• No impact; No clear and significant impact but important to remember to explain why changes are being made and listen.
Organizational Structure • *The organization is becoming less formal and hierarchical. More formal in the sense of formal cross function project.*	• Positive impact; many employees seems to experience this trend and they appear to understand why.	• Positive impact; if the trend is an affect of the need to work in a new way, this should facilitate the implementation of new strategies.	• Negative impact; unless they understand why this changing it might increase confusion.	• Positive impact; if a more flat organization encourage speak out this may affect the scenario in a positive way.
Power Structure • *Power through performance instead of seniority.*	• Positive impact; achievements are acknowledge and rewarded. Still fair since everyone gets the same opportunity.	• Positive impact; younger people may be attracted be the idea of more responsibility. Good opportunity to find new managers.	• Negative impact; new incentive system and career path may create discomfort amongst employees.	• Uncertain; could be both positive and negative depending on how it is implemented.
Symbols • *No perceived trends...*	• No perceived trends amongst the employees. It is important to remember that symbols can be powerful tools to facilitate change.			
Stories & Myths • *Emphasizes changes and turnaround compared to before.*	• Positive impact; success together - helps create a good atmosphere.	• Positive impact; initial success may be used to facilitate continuous work.	• Positive impact; a positive feeling amongst the employee's decreases risk of "back fire"	• Positive impact; a positive feeling amongst the employee's increases willingness to work together .

Routines, Rites & Rituals • *Opinion regarding life time employment and work/life balance is changing.*	• Positive impact; a way to attract new employees and to introduce new way of working.	• Positive impact; new routines and way of work are adopted easier if there is a interest in new ways of working.	• Positive impact; may create interest in new possibilities.	• No impact; no clear or direct impact in this scenario.
Processes • *Communication is still very important but the model of consensus is changing.*	• Positive impact; advantage of fast communication combined with increased accountability.	• Positive impact; same as for "long term success". Employee may want to take more responsibility.	• No impact; no clear or direct impact in this scenario.	• No impact; no clear or direct impact in this scenario.

Table 28. Cultural key aspect trends and their affect on the four different scenarios.

When making a short summary of our perceived trends and their impact on our scenarios we see a pattern of positive impact. The reason for this is that most trends tend to describe Japan moving a little bit closer to west. We believe that this at least not has a negative effect on the integration process.

5.7.6 Summary of Strategic Task and Potential Effect on the Integration

Previous strategic task and responsibility of the purchasing department at Nissan Diesel differs from what it needs to perform now as a part of the Volvo 3P. We have discussed some of the differences in strategic task in chapter 5.6 page 71. Those differences are summarized below. Their potential affect in the integration process are also described. We have chosen not to categorize the potential affect into each of the scenarios but to give more general description.

Differences in strategic task	Potential affect on the integration process
Supplier Relationships • *Long term cooperation and personal relationships. E.g. Keiretsus. General trends towards less impact from Keiretsus and rationalized/decreased supplier base.*	• The purchasing department at Nissan Diesel is becoming a part of the 3P organization. This includes adapting the 3P way of working and their purchasing strategies. This embraces a different kind of relationship towards suppliers. This new way of doing business need to be explained so the benefits is shown. Just ordering a change without proper facts will probably not work.
Quality • Differences in definition of quality and the measurement of it.	• Benchmarking is an important tool in order to reduce and change suppliers. Quality is on aspect that needs to be considered when choosing supplier. It is important that everyone within the organization uses the same kind of definition and measurements. Differences between how the organization measures variable such as quality may cause misunderstandings that halter the integration process.
Costs • Different activates to reduce cost. Continuous and incremental cost reductions vs. annual demands for reduction and consultants from Volvo 3P on-site searching for potential cost reductions. General trends; target costing teams rarely involve suppliers and increased pressure upon suppliers to reduce costs on their own initiative.	• The way the organization works with cost reduction is linked to supplier relationship. This is also a new way of working and needs to be motivated and explained. Cost reduction initiatives is probably getting a bigger part at the purchasing department now that is becoming a part of 3P. This might have the same effect as changes in supplier relationship if it is not motivated and gets support from the employees.

Table 29. Differences in strategic task and their affect on the integration process.

5.8   Step 8. Summarize the Integration Scenario Analysis

The purpose of this last step is to summarize the Integration Scenario Analysis and indentify main challenges within the Integration Process.

Our problem discussion brought up two important determinateness of integration level. These are differences within the two aspects of "Organizational Culture/Identity" and "Strategic Task". We believe this is a balance between what to change and what to leave unaddressed. Nissan Diesel is becoming a part of a global organization and needs to be integrated while the company still must work in the context of Japanese culture.

Through our Scenario Analysis process we have identified two challenges that we believe is important for this integration. One is linked to organizational culture and the other is linked to strategic task. We do not say that these challenges are not addressed at the present. Our purpose to create the different scenarios is to illustrate the challenges within the integration process. Credibility and trust for each purchasing organization is not enough. This may lead to scenario of "cultural balance". At the same time, just focusing on implementing only purchasing strategies is not enough either. Both issues need concern in order to reach "long term success".

5.8.1   Organizational Culture

There are differences in culture between the two organizations. Some of these might need to be addressed in order to reach the vision of the integration and to implement the stated activities at purchasing. We believe that it is important to keep in mind that a multicultural organization needs diversity in order to learn from each other. In order to do this there must be a mutual commitment from both organizations. The involved employees both from Volvo 3P and Nissan Diesel need to trust and respect each other's cultures. We believe that the scenario of "cultural balance" facilitates employees to try new ways since they feel more secure. Our interviews with the employees show a willingness to change and to adapt to the new way of working. Although at the same time we perceive many differences that seem deeply rooted at Nissan Diesel. These differences cannot just be changed; the goal should be to create a new culture. This is a long term project that needs support from all levels within the organization, not just the purchasing department.

5.8.2   Strategic Task

Differences within strategic and organizational task are present. The purchasing department at Nissan Diesel is not used to the new way of working. Purchasing at Volvo 3P has another area of responsibility compared to what the purchasing department at Nissan Diesel has had in the past. We have described differences within supplier relationships, quality, and cost reductions. These aspects as well as the some of the global strategies at Volvo 3P are issues that mostly organizations work with. The differences are how they do it practically.

The challenges is to show the employees at Nissan Diesel why they should change their way of working. Misunderstandings and different opinions are easily created when two organizations use the same word as quality and cost but their definition differs. Therefore, we believe it is important to define a common language. When this has been done it should be easier to show on best practice, e.g. through benchmarks. While conducting the study at the purchasing department we felt that the employees were not reluctant to adapt to new systems and strategies. This was also confirmed by Volvo employees outside the purchasing department. Just as our scenario of "initial improvements" show, they feel willingness to try and this should be leveraged. More important, the new way of working and new strategies need to get support from people at higher level than just the purchasing department. It is probably difficult to start a change process at one department without the support from above. A more long-term area of importance that we have identified is recruiting. We believe that in order to reach "long term success" it is crucial to recruit and retain employees that are able and willing to receive the needed capabilities.

6 Recommendations to Reach "Long Term Success"

This chapter contains recommendations how Volvo and Nissan Diesel could continue on the path to "Long Term Success". This includes suggestions within three main categories; Management, Actions, and Recruitment. The different ideas is divided into two subgroups; "Create a level of credibility and trust" and "Create a level of understanding and support" The purpose of this is to link these suggestions to the two axis of our scenario matrix, i.e. "Level of Credibility & Trust" and "Level of Understanding and Support".

During this spring we have met several people with experience from working in Japan with Japanese people and from this we have learned a lot. Also all the interviews made with the employees at Volvo in Gothenburg, interviews with expatriate at Nissan Diesel and interviews with employees at Nissan Diesel has given us an understanding of the present situation and challenges that need to be addressed. We also learned a lot from what we saw and heard on our trip to Japan. We have got a brief understanding of how the Japanese people act in different situation and how the Japanese society works. The guidelines have also been influenced by the case of Nissan Motors and Renault. The main learning's are presented down below and we hope that these can help Volvo and Nissan Diesel to conduct a successful integration.

6.1 Management

When conduction integration it is crucial to have a good management that must have a clear vision and the objectives should be obvious from the start. Down below are some recommendations.

Create a level of credibility and trust
- We believe it is important to have a clear management consisting of both employees from Volvo and from Nissan Diesel. Together they should set up plans for the integration and create a feeling that expresses *"We are in this together"*.
- We think it is important that the management make sure that the vision and the goals are spread throughout the whole organization. It is important to get all the employees to understand the integration, and then there will be a stronger acceptance.
- Choose managers that are believers. The managers that are working with the integration should understand the reason for the acquisition to be able to involve the rest of the organization.
- When working with the integration, management should place people at all levels in the organisation. By doing this information will be spread in the whole organization.

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- Go fast slowly. Make sure that everyone can take part of the decisions. Make sure that there are a strong connection between what you say and what you actually do.
- The management should advocate that Volvo and Nissan Diesel have a lot to learn from each other.
- The management should understand that corporate culture is the key to succeed. There should be a respect for each other's culture and value that there actually is more than one culture.
- It is important to identify key persons that want to work with the integration. These persons must be strong enough to drive and implement changes.

Create a level of understanding and support
- It is important that the CEO and Group Executive Committee at Volvo support the integration. They should express a clear leadership. They should also support all the managers that are a part of the integration.
- The board at Volvo and Nissan Diesel should support the integration and be a part of it. The member of the board should support all the managers that are working with the integration.
- The management should build a clear vision with defined goals and a clear plan how to reach the goals. If there are not a clear management present at Nissan Diesel it will be difficult to conduct a successful integration.
- What does Volvo plan to achieve with the integration? That should be clear in the whole organization and the goals should be broken down into sub goals this will make the integration much more smooth.
- During the integration work it is extremely important that the managers follow up the implementations. The management should not loose grip for a second, there must be hard work all the time.
- The Nissan Diesel employees are in general positive towards this integration, take advantage from it. Nissan Diesel has high expectations of the integration, do not disappoint them.

6.2 Actions

We have identified some practical actions derived from the experience we have gathered at Nissan Diesel and outside the company. We hope that these may speed up the integration and to make it as smooth as possible. Some of these actions are already taken in some way be we want to present these as well since they are important for the success. We have summarized these actions below.

Create a level of credibility and trust
- Bring more people from Volvo, Gothenburg to Nissan Diesel in Ago. Find people from Volvo that is willing to stay in Ago for more than two years. Integration will take time and it requires that people stay in Ago for more than two years. The people that are working with the integration possess so much knowledge and if these people are sent home you have to start over with new employees.

- Work on creating a successful atmosphere and this is done by: a reciprocal understanding of each firm's organization and culture, willingness of people in both firms to work together, capacity to transfer and receive capabilities and a cause-effect understanding of the benefits expected from the acquisition.
- It is important that employees at Volvo working with the integration have a good understanding for Japan and its culture. Let the managers participate in courses where they will get an understanding for each other's culture.
- The managers must be prepared to handle anxiety among the employees.
- The managers should motivate the employees to do a good job and give them recognition.
- Investigate if employees at Nissan Diesel would like conditions more like the rest of the Volvo Group, for example shorter work days, more vacations, better insures etc. Show Nissan Diesel that there is a bright future to face.

Create a level of understanding and support
- Create a new vision. It is important that this vision is communicated from the top. The CEO should express a vision of the mission and the values of what the "new" Nissan Diesel will resent to employees and customers.
- Create integration teams. A network of integration teams starting at the top of Nissan Diesel and spreading throughout the company's various functions, equipped with timeline and specific goals can help accomplish a smoother integration.
- The language is a barrier. Be patient and try to read each other. Spend time together outside work, then you will get a better understanding for each other and you will get to know each other. It can be a problem to understand each other but ask a lot of questions, give examples, show each other how things are done etc. The communication must be very strong, cannot afford misunderstandings.
- The employees at Nissan Diesel could practice English every day. Give English lessons 30-40 minutes every day where the employees practice to speak English. No home works, the best effect will be giving when the employees are exposed to the language every day. Work in small groups. Do not force the employees to participate. At the same time, people from Volvo that are working with Nissan Diesel should learn some Japanese, which will give respect.
- Japan is not that different compared to the west world, focus on the similarities. Accept that there are differences in Volvo compared to Nissan Diesel but take advantage of that. The employees from Volvo are guests in Japan and therefore respect for the country should be shown.
- Volvo could take advantage of Volvo Nippon that been active in Japan for some time. The employees in this organization possess a lot of experience, use this knowledge.

6.3   Recruitment

Nissan Diesel is situated in Ago which takes about 40 minutes with the subway from Tokyo Station. This is a big problem since most of the Japanese desired to work in central Tokyo. It is difficult for Nissan Diesel to attract new employees both due to the location but also because of Nissan Diesel's reputation. Volvo and Nissan Diesel must work hard on creating a new Nissan Diesel to be able to attract good employees. Down below are some tips.

Create a level of credibility and trust
- Hire a lot of talent young people both Japanese and Swedish people (big plus if the Swedish talents know some Japanese). Let these two groups integrate and there will be a natural culture transmission. Let this core build the future. This is how IKEA and H&M have built a strong successful position in Japan.
- Send a lot of young Japanese people at Nissan Diesel to Volvo in Gothenburg.
- Communicate "soft" benefits.

Create a level of understanding and support
- What is Nissan Diesels profile today? What does the new Nissan Diesel stand for? Nissan Diesel is no longer going to be a traditional Japanese truck manufacture; it is going to be a part of a large global organization. This means that Nissan Diesel has totally new future to face as a part of the Volvo group. Show that Nissan Diesel is a part of this global organisation and its network.
- It is important that Volvo and Nissan Diesel get an understanding for what it is that attracts good students. Is it possible to attract these students with a global profile? International work is appreciated if you understand why you are doing it.
- The employees at Volvo and Nissan Diesel must communicate Nissan Diesel's ambitions outside Nissan Diesel.
- Nissan Diesel must create a "cool" factor. Nissan Diesel could hire young talents and educate these young people. Hire young girls and educate them to become managers. Create diversity; Hire people that like to turn and twist procedures.
- Nissan Diesel could improve its Trainee program, which would probably attract a lot of good students.

7   Conclusions

This final chapter contains four parts. The first part is Key Findings. This is followed by a presentation and discussion regarding our Theoretical Contribution. The third part is a review of our paper and the purpose of this is to recapitulate on our thesis and what we could have done differently. The final part introduces suggestions on interesting areas for further research.

7.1   Key Findings

Integration processes are difficult, time consuming, uncertain and fraught with risks and setbacks. For some integration means "making them like us" for others it means "noting should be changed in either firm" and some think of integration as a "black box" in which things just seems to happen. Even if integrations are difficult the key to succeed is to conduct a clear vision of the integration and to set up plans to realize that vision.

Nissan Diesel became a part of the Volvo concern at the end of March, 2007. The integration is going rather stable but not frictionless. In this master thesis we have studied the integration of Nissan Diesel's purchasing department in to Volvo 3P. We have chosen to focus on organizational culture and strategic task since it is proved that these two elements have major impact on integrations.

If we summarize our interviews made with the employees at Nissan Diesel we see that the employees have a willingness to change and to adapt to the new way of working but at the same time we perceive many differences that seem deeply rooted at Nissan Diesel. These differences cannot just be changed; the goal should be to create a new culture. This is a long term project that needs support from all levels within the organization, not just the purchasing department.

Differences within strategic and organizational task are present issues. The purchasing department at Nissan Diesel is not used to the new way of working. Purchasing at Volvo 3P has another area of responsibility compared to what the purchasing department at Nissan Diesel has had in the past. The challenges is to show the employees at Nissan Diesel why they should change their way of working. Misunderstandings and different opinions are easily created when two organizations use the same word as quality and cost but their definition and measurements differs. Therefore, we believe it is important to define a common language. When this has been done it should be easier to show on best practice, e.g. through benchmarks. While conducting the study at the purchasing department we felt that the employees were not reluctant to adapt to new systems and strategies.

The four scenarios *"Long Term Success", "Culture Balance", "Initial Improvements" and "Back Fire"* were created in the Integration Scenario Analysis. These scenarios have been generated in order to expand mindsets concerning future

development and to make a wider range of alternative futures conceivable and accepted. Our aim with our integration scenario Analysis is to create an awareness of how the outcome of integration can vary depending on how the integration is managed. Integration should not be considered as a black box. We believe that an Integration Scenario Analysis can help both Volvo Group as well as Volvo 3P to create a clear vision of a desired integration and what needs there are to be able to reach the "Long Term Success" scenario.

During our study we have realized that there are some problems in the integration and we have listed some recommendation in chapter 6 that hopefully will help Volvo and Nissan Diesel to conduct a successful integration. The most crucial problems can be derived to a lack of management. The managers at the purchasing department at Nissan Diesel and Volvo 3P are doing their best to conduct a successful integration but the question is if this can be realized when there is a lack of support from the top management. The top management probably has their plans for the integration but these plans needs to be spread throughout the whole organization. If a new common culture should be created and new way of working and new strategies should be implemented there need to be support from managers at higher level than just the purchasing department. It is probably difficult to start a change process at one department without the support from above. In summary there must be a more clear management from the top.

The top management should also consider who they are sending to Ageo and Gothenburg. It is extremely important to have the best suitable men and women at the right place. The Swedish and French employees that are sent to Ageo must have an interest for working with Japanese and they must try to understand the country and the people and then feel an acceptance for these elements. The Japanese that goes to Gothenburg or Lyon must feel the same for Sweden and France. If this is not the case then it will be difficult to cooperate.

Another critical problem is how Nissan Diesel should attract good students. The work force in Japan in shrinking and this will lead to problems. At the moment Nissan Diesel is not ranked as a most desired employer. Volvo and Nissan Diesel must build a clear profile. What does the new Nissan Diesel stand for? Nissan Diesel is no longer going to be a traditional Japanese truck manufacture; it is going to be a part of a large global organization. Nissan Diesel has totally new future to face as a part of the Volvo group. Show that Nissan Diesel is a part of this global organisation and its network.

Hopefully the integration between Volvo and Nissan Diesel will reach the "Long Term Success" scenario but this requires some hard work. It does not matter how hard the purchasing departments are working on the integration, if there are no top management stressing and pushing the integration as a whole it will be hard for the purchasing departments to integrate Nissan Diesel's purchasing department into Volvo 3P.

The purpose of this thesis was to construct possible scenarios of the integration process due to differences within the organizational culture and strategic task between Nissan Diesel purchasing department and Volvo 3P. Furthermore, the purpose was to identify challenges that could be seen as potential barriers to a successful integration and desired scenario. Furthermore the purpose was to develop a new framework that can be used in mergers and acquisitions. The aim of the framework was to create an awareness of how an outcome of integration can vary depending on how the integration is managed. We believe that these purposes has been fulfilled in this thesis and we hope that the reader feel the same way.

We hope that we have given Volvo 3P and the purchasing department at Nissan Diesel some new thoughts and ideas about the integration. We also hope that this thesis answers some of the questions Volvo 3P had about Nissan Diesel and its culture. Further on we hope that our framework will raise a new mindset when it comes to integrations. There are many ways to approach and analyze integrations; we have chosen to do it by developing an Integration Scenario Analysis with focus on differences in organizational culture and strategic task. It is our great hope that the readers find our framework interesting and innovative and that someone someday will develop the framework.

7.2   Theoretical Contribution

An important part of this thesis is contributing the academy with theoretical improvements. This is done by using the method of Scenario Analysis as a foundation. Using this method as a structure we added three theories in order to cover three areas. The areas and theories are "organizational culture" (The Cultural Web), "M&A" (The Human Side of Acquisition), and "strategic task" (West versus Japanese Purchasing Strategies). This was made in order to be able to create a framework that could be used in acquisitions, mergers and joint ventures.

Our Framework **Integration Scenario Analysis**	*Original Framework* **O'Brien (2004)**
Step 1. Set the scene.	*Step 1. Set the scene.*
Step 2. Identify global, national, and corporate trends that may have affect on the organization in question, e.g. PESTEL.	*Step 2. Generate uncertain and predetermined factors using PESTEL*
*Step 3. Use the **Cultural Web** to identify and structure **cultural aspects** that may affect the outcome of integration process.*	*Step 3. Reduce factors and specify factor ranges.*
	Step 4. Choose themes and develop scenario details.
Step 4. Reduce the number of cultural aspects.	*Step 5. Check consistency of scenarios.*
Step 5. Identify the characteristics of each selected cultural aspect within the organization in question.	*Step 6. Present scenarios.*
	Step 7. Assess impact of scenarios.
*Step 6. Identify and analyze **differences in strategic task** between the organizations.*	*Step 8. Develop and test strategies.*
Step 7. Construct different Integration Scenarios and set themes.	
Step 8. Summarize the Integration Scenario Analysis and indentify main challenges within the integration process	

Table 30. Summary of our theoretical contribution, i.e. Integration Scenario Analysis.

O'Brien is using PESTEL to generate uncertain and predetermined factors, in our framework we replace PESTEL with Culture Web to identify and structure cultural differences that may affect the outcome of an integration process. Furthermore we introduced the aspect of differences in Strategic Task through the addition of purchasing strategies and supplier relationship.

We hope that our Integration Scenario Analysis framework can help firms to create successful integrations. Our framework is a tool that will create possible scenarios that might be an outcome from integration. By doing this the firms will be able to see visions of the future and what actions needs to be done to reach the desired scenario. Some firms see an integration as a black box and therefore it is difficult to affect the

outcome but by planning the integration and clearly see the desired outcome we think there will be much higher chance that there will be a successful integration.

7.3 Discussion

The first question we would like to address in this discussion is why we have chosen the Scenario Analysis by (O'Brien, 2004) as a method to conduct this study. We believe that this is a viable tool in order to apply a structure to the "black box" of integration process. It is a simple step by step method that we believe could be used within other contexts than Nissan Diesel and Volvo. A weakness with our framework could be the lack of focus although this often comes naturally when using scenario analysis. We believe that our framework can be used to identify potential barriers and issues that can be studied further.

Another potential weakness of our framework is the importance to be part of the process in order to fully understand the outcomes. The reason for this is that the outcomes are constructed not only by the data we have included in this paper but it is also influenced by our personal observations and reflections. So the strength of a broad an open mindset may also be a weakness of our framework.

We have chosen to study the process of integration from the perspective of organizational culture and strategic task. These two perspectives of integration are of course not the only ones. We have chosen these two since they are perceived to be important to the success of the integration as we stated in our problem discussion. In order to cover these two aspects we have selected certain theories. The strategic perceptive is covered by purchasing strategies. We have chosen to focus on supplier relationships within purchasing strategies since there are major differences within this area between Japanese and western companies. The other perspective of our study is organizational culture as mentioned above and the Cultural Web was selected as a framework to address this issue. We have come across other frameworks that aim to fulfill the same purpose but we have chosen the cultural web. The reason for this is that the cultural web is simple and structured. Furthermore we believe that this framework address many of those question asked by Volvo 3P, regarding the atmosphere amongst the employees at Nissan Diesel.

Another issue of our thesis that needs to be addressed is the context in which we have made our study. We have studied an integration process within a specific department, i.e. purchasing. This is our primary objective of analysis and our key findings and recommendations derive from this. The question is how the integration at the purchasing department reflects the whole integration process of Nissan Diesel and Volvo. Since we have gathered experience and information from secondary sources regarding the overall process we believe that our findings and recommendations may be applied outside the purchasing department.

A lot of the information and data used in this thesis is based upon semi structured interviews and our personal observations. This has the consequence that the result is

more or less affected by our personal interpretations. We have tried to stay unbiased but this is still a very important aspect, especially since we try to describe another culture with our own personal framework and logic.

Finally we would like to stress that our presented scenarios is not written in stone. The scenarios only suggest possible outcomes depending on how the integration process is managed. It is a way to illustrate the different challenges and how the management of these affects the scenarios.

7.4 Suggestions for Further Research

We have created a framework that we believe could be used as a tool to shed light on the "black box" of integration. We have worked with this during a limited time and we feel that there is potential for further development. Our framework can for sure be developed.

In this thesis we have chosen to focus on differences within organizational culture and strategic task. Another interesting area within the context of integration is the delicate balance of keeping a cultural diversity within a multicultural company while implementing new processes, systems, and strategies. This is something we believe could be interesting to study.

Furthermore we have identified "sense of urgency" as an important key factor for successful integration and change management. By sense of urgency we refer to that the Japanese must understand why the need to make certain changes.

We believe that this key success factor is universal and crucial to change management disregarding context. There is extensive western literature regarding how a sense of urgency can be created but we have not been able to find equal researches regarding Japan. We think it would be interesting to study how this might differ between Japanese and western companies.

The last area of interest that we would like to recognize is specific definitions and their measurements within the activity of purchasing, e.g. cost and quality. We have identified that these differences may be barriers to a smooth integration but we have not made any further research within this topic.

Overall, we have not found much research on how the western approach of M&A and integration should be adapted to fit the context of Japan. That is why we chose to write our master thesis within this field. We wanted to explore new areas of research and to provide a theoretic contribution. We hope that there will be further research about this specific subject in the future.

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A1 – Scenario Analysis

The Background and Purpose of Scenario Analysis

Scenario Analysis is a story about how the future might turn out. In the case of this theoretical framework, the definition of scenario is the development of the external environment in which the organization acts and operates(O'Brien, 2004). Scenario Analysis differs from methods like contingency planning, sensitivity analysis and computer simulations. A Scenario Analysis does not focus on only one key uncertainty or the variation of only one variable, it takes in to account factors that cannot be formally or quantitative modeled (Schoemaker, 1995). Scenario Analysis aims to collect vast amount of data and simplify it into a limited number of elements, it tries to describe the environment with a simplified stochastic model (Schoemaker, 1993).

The goal of Scenario Analysis is not to predict the future, but to set boundaries in which an organization can develop strategies to get a head start (Schoemaker, 1993). However, one story, or scenario, describes only one point of view and it is therefore a common practice to develop multiple scenarios. Scenario Analysis normally leads to two to four different outcomes, depending on how different variables and their values are combined (O'Brien, 2004).

The Usage of Scenarios Analysis

The technique of Scenario Analysis is useable in a vast variety of situations where a decision maker wants to systematically imagine how the future might turn out. Scenario Analysis as a process tries to structure the broadness and range of possibilities. Although the essence of the method is to challenge the established mind-set and to stimulate managers to look at the environment and changes from a new point of view (Schoemaker, 1995). Scenario Analysis is considered as a 'soft' approach for structuring problems (Rosenhead, et al., 2001).

F.A. O'Brien (2004)	P.H.J. Schoemaker (1993)	Rosenhead, et al. (2001)
• *Scenario Analysis can be used as a tool to analyze information to identify what is important for an organization in order to understand future uncertainties.* • *Scenario Analysis addresses the issues to develop a consistent and plausible set of future outcomes.* • *The method of Scenario Analysis includes the evaluation of the impacts of these different outcomes.*	• *Scenario Analysis is beneficial when uncertainty is high relative to management's ability to forecast outcomes.* • *The method can be used in order to create a common picture when different opinions are stalling strategic planning.* • *Scenario Analysis can serve as a language and framework within the company to gather around and use as a template for discussion.*	• *The goal of Scenario Analysis is to understand the overall situation rather than giving a single definitive answer.* • *The method should be used as a tool to facilitate new "point of views".* • *Scenario often focuses on perceptions and opinions rather than, not necessary hard data.*

Table 31. The usage and purpose of Scenario Analysis.

The Construction and Development of Scenario Analysis

According to (Schoemaker, 1995) the purpose of Scenario Analysis is to compensate for extremes within decisions making, under and over prediction. The aim of Scenario Analysis is to develop a plausible combination of these two boundaries. Scenario Analysis as a tool can help managers to see new possibilities while protecting from over predictions. This can be done by dividing knowledge into two areas:

1. Things we think we know something about and
2. Elements that we perceive as uncertain or unpredictable.

The first area could be seen as a prognosis that reflects the present on the future. The world is moving and it has a certain momentum and continuity (Schoemaker, 1995). Example of issues from this area is demographic shifts and the substitutions affect of new technologies. Difficulties within this first area are the separate aspects that are to be seen as predictable from those that are highly uncertain. Examples of the second area are interest rate, oils prices and the outcome of political elections.

An important aspect that is crucial to the success of Scenario Analysis is not to consider all possible outcomes of every uncertainty. Instead, key uncertainties should be simplified into two or three possible outcomes. Considering interest rate, this could be divided into high, medium and low. (Schoemaker, 1995)

Since the purpose of Scenario Analysis is to build a shared framework, that helps to depict possible futures, it is important to involve a broad variety of stakeholders in to the development process. This also helps to create new strategies when it comes to develop strategies according to different outcomes and desired ends.(Schoemaker,

1995). The table below describes Scenario Analysis according to the two different authors.

F.A. O'Brien (2004).	P.H.J. Schoemaker (1993) & (1995).
1. *Set the scene.* 2. *Generate uncertain and predetermined factors.* 3. *Reduce factors and specify factor ranges.* 4. *Choose themes and develop scenario details.* 5. *Check consistency of scenarios.* 6. *Present scenarios.* 7. *Assess impact of scenarios.* 8. *Develop and test strategies.*	1. *Define issue in terms of timeframe, scope and decisions variables.* 2. *Identify major stakeholders.* 3. *Identify basic trends or predetermined elements.* 4. *Identify key uncertainties.* 5. *Construct initial scenario themes.* 6. *Check for consistency and plausibility.* 7. *Develop learning scenarios.* 8. *Asses how key stakeholders would behave in these scenarios.* 9. *Additional research. Assess if certain interactions should be formalized thorough quantitative model.* 10. *Evolve towards decision scenarios. Reassess ranges of uncertainty of variables of interest and retrace steps 1 to 9.*

Table 32. Scenario Analysis, a step-by-step model.

The Scenario Development Process, Step-by-Step

The following chapter attends to show differences and similarities between O'Brien's and Schoemaker's process to conduct Scenario Analysis.

Step 1
According to (O'Brien, 2004) the first step is to understand the organization, for which the Scenario Analysis is made. This also includes putting up a planning horizon and researching for past and current trends and challenges within the industry, to **set the scene**. Question to be asked could be why and when have previous changes occurred?

(Schoemaker, 1995) describes this step as **defining the scope**. This includes the determination of suitable time frame and scope. The "scope" includes aspects such as products, markets, geographic areas, and technologies. Issues to be considered due to the time frame are the rate of technology change, product life cycles, political elections, competitors' planning horizon etc. When this is set, the organization should ask itself what knowledge it possess about the future. When asking about this, it is most useful to look back at the past. What have caused past changes and volatility within department, organization, industry, region, and country?

Step 2
In this next step (Schoemaker, 1995) emphasizes the importance to **identify major stakeholders** that will have an interest in the issues presented in step 1. Who would

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be affected by the changes and who are able to affect the outcome? This includes customers, suppliers, competitors, employees, shareholders etc. These should be segmented according to attributes such as current role, interest, and power position. How has these attributes changed over time?

(O'Brien, 2004) do not take stakeholders into account in this process. Instead, step 2 includes the **generating of uncertain and predetermined factors**. By using a framework such as PESTEL (Political, Economic, Social, Technological) the aim is to generate a list of factors that is important to the success of the business but beyond control. Although they are afar from control, they might still be either predetermined or uncertain.

Step 3
According to (O'Brien, 2004) this step includes the process of **reducing the factors and specifies their ranges**. This is done due to two reasons: (1) to create consensus within the group conducting the scenarios planning and (2) too reduce a large number of factors to a more feasible number. Practices has proved this to be somewhere between 10 and 15. The reduction and ranking of these factors should be done according to their level of uncertainty and impact. The final activity within this step is to set plausible ranges within these factors can vary and in order to produce different scenarios.

(Schoemaker, 1995) utilizes a extended version of the PESTEL framework in order to **identify basic trends**, namely PESTEL. Which of these aspects affect the issues identified in step 1? An important criterion within this step is that all participants should agree on that these trends will continue. Factors that don't reach consensus within the group should be addressed at the next step.

Step 4
As mentioned above (Schoemaker, 1995) addresses the **identification of key uncertainties** in this step. Depending on their affect on the issues set at step 1, "set the scene", what events will have a significant impact? In order to make this analysis in a structured fashion, the usage of the PESTEL framework is stressed. As mentioned earlier, it is important to keep these different outcomes simple. The last task in this step is to check consistency and relationship among these different key uncertainties. This could be done through a correlation matrix where the uncertainties are compared pair wise. A more thorough broader description of this is given in step 6.

In this fourth step, called "**Choose themes and develop scenario details**", the first task is to decide number of scenarios to be developed. According to (O'Brien, 2004) this should be between two and four. Each scenario should be given a certain theme and each theme could be derived from certain outcomes of the factors previous identified. This process is to be done in a subjective and top-down process. The result of this step should be a table, describing each scenario and its corresponding values.

Step 5

In this step, O'Brien likewise Schoemaker step 4, makes a cross impact analysis through pair wise **comparing the consistency** of the different factors. This comparison includes both positive and negative correlation as well as the strength of the correlation (strong, medium, or weak).

If the steps of (Schoemaker, 1995) have been followed, it is now **time to construct initial scenario themes** in this fifth step. In order to keep it simple at this initial stage, one approach to construct themes is to create two extremes. All "positive" outcomes of the different elements constitute the first scenario. On the contrary, all "negative" makes up the other extreme. In this case, negative and positive are defined according to the present corporate strategy.

Step 6

Although that different relationship between key uncertainties where examined in (Schoemaker, 1995) step 4, a more comprehensive **check for consistency and plausibility** is made in this step.

According to (O'Brien, 2004) now is the time to **present the scenarios**. The most important aspect is to bring the scenario to life and to use it as a source of creative thinking. It is important that the scenario is presented in a way that makes it believable, otherwise it is probably useless to use as a base for strategic planning. All aspects such as title, format, and language style and detail level are important.

Step 7

If applying the Scenario Analysis process described by (O'Brien, 2004) this would be the next last step. The **assessment of impact of scenarios** aims to map future opportunities as well as issues, challenges, and threats that derive from each of the presented scenarios. A potent framework to investigate diverse strategies would be a TOWS matrix, structuring outcomes into threats, opportunities, weaknesses and strength.

In (Schoemaker, 1995) step 7, the goal is to **develop learning scenarios**. This process aims to identify themes from the initial ones that have a major impact on the organization and has strategic relevance. This is done by organizing and the structuring of trends and possible outcomes. The result of this process should be two to four whose name reflects the importance and impact of different trends and outcomes. The definition of leaning scenarios is that their purpose at this stage is more as tools for further discussion than decision making.

Step 8

According to (Schoemaker, 1993) the following step is to **assess stakeholder behavior**. When the initial scenarios have been revised into learning scenarios, it is important to provide stronger support or to discover needs for further revision. An important activity in this process is to assess how major stakeholder might act depending on outcomes and how their actions can affect the scenario.

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The Scenario Analysis process presented by (O'Brien, 2004) ends at step 8. This final step includes the **development and testing strategies** depending of the different scenarios.

Step 9

The second last step in the Scenario Analysis method presented by (Schoemaker, 1995) and (Schoemaker, 1993) is to **assess the need for further research or development of quantitative model**. This step is divided into two serial activities. The first activity in this step is to assess the need for further research. The learning scenarios should be used as a tool to find blind spots. This is where participants really tries to look beyond their own industry and makes last effort to further support or discard certain trends or uncertainties. After completing this additional research, the second activity is to evaluate if certain relationships within each scenario should be formalized through a quantitative model. Tools such as Monte Carlo simulations could be used. This activity could be used as a tool to keep from implausible scenarios as well as quantify the consequences of different scenarios.

Step 10

This step ends (Schoemaker, 1995) as well as (Schoemaker, 1993). The result should be the development of learning scenarios into **decision scenarios**. The goal of this is to support management in making decision under uncertainty or just to broaden their horizon. This could be an iterative process where some or all of previous steps goes through again in order to develop scenarios that can be used to test strategies and to develop new ideas. In order to determine wherever the developed scenario is viable to the organization, fourth issues should be addressed:

1. Relevance. In order to have impact, a scenario should be connected to the level of perception that id held by its intended users. (e.g. executives, middle managers or military commanders).
2. Consistency. In order to be apparent as effective, scenarios should be internal consistent.
3. Archetypal. The different scenarios should describe different futures rather than just modifications of one.
4. Equilibrium. It does little good to present scenarios that are highly temporary and short lived. Although, this is idealistic claim and the possibility to succeed depends on industry and environment.

A2 – Cultural Aspects

Factors		Key Uncertainty
Communication	External	*Attitude towards external influences*
		Way of communication outside the organization
	Internal	*Questioning*
		Way of communication within the organization
Control Systems	External	*Stakeholder affect on governance*
		Perceived need for business insight
		Corporate responsibility
		Legislation affect on corporate governance
		Protective regulation against external effect
		What is controlled?
	Internal	*Attitude towards liability*
		What is monitored / controlled?
		Corporate responsibility
		Attitude towards hierarchy
		What type of feedback does the monitoring return?
		How is policies, rules, and directives perceived and obeyed?
		Control reflects strategies?
Incentives	External	*Stakeholder impact*
	Internal	*Employment policies*
		Career path and status
		Personal development
		Attitudes towards mistakes
		Organizational Goals
		Personal/Moral/financial incentives?
Organizational Structure	External	*Value chain network and relationships*
	Internal	*The level of and perceived need for diversity*
		Formal or informal structure
		Acceptance for structure

Power Structure	External	*Financing*
		What power is possessed by suppliers, customers, and partners?
	Internal	*Perspective of gender and age*
		View of ideal Leadership
		Power of divisions/functions/subsidiaries/departments
		Clear powerbase and distribution?
		Level of decision making
		Authority over actions is easily delegated
Symbols	External	*Historical impact*
	Internal	*Language?*
		Strategies highlighted in publicity
		Titles
		Physical placement and surroundings
		Dress code
Stories & Myths	External	*Historical impact*
	Internal	*Different characters that describes the organizations history and values?*
		Reflects success or failures?
Routines, rites & rituals	External	*Routines towards stakeholders*
		Recruitment
	Internal	*Behavior*
		Number and impact of routines
		Purpose of management meetings and board rapports
		Time perception
		How is management's behavior perceived?
		Grading system, promotion (vertical/horizontal)
		Internal recruitment
		Introduction, transformation, conform, apprenticeship, training, education
		Ceremonies
Processes	External	*Attitude towards generic strategies*
		Impact of processes towards stakeholders
	Internal	*Risk perception*
		Approaches in R&D and operation
		Ways of handling opportunities and difficulties
		Pace
		Workflow
		Main ways of development

A3 – Questionnaire

1. Communication
1.1. Internal

Way of communication within the organization

(By communication we refer to the way that information is spread.)

- What different channels of communication are mostly used? For example: formal and/or informal meetings and/or discussions, computer intranets, mail, PM, employee gatherings, company newsletters, and postings.
- How would you describe communication between different functions? For example: communication between R&D, purchasing, manufacturing, and logistics?
- How would you describe communication between different levels of the organizations? For example: communication between employees and managers.

Way of communication within the organization
A: Formal, structured, and planned.
B: Informal, ad hoc, and based on personal relationships.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

2. Control Systems
2.1. External

Stakeholder's affect on governance of the organization

(By affect we refer to how much influence stakeholders might have on governance and management of the organization.)

- What different stakeholders have major influence on your organization's governance? For example: shareholders, society, government, customers, suppliers, competitors, banks, and labor unions.
- In what way are they affecting the governance? For example: sourcing, investments, development, and risk assessment.

Stakeholder's affect on governance of the organization
A: External stakeholders do not have any impact.
B: External stakeholders have major impact.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

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External influences on the Keiretsu networks
(External influences could be foreign business establishments, acquisitions, import, and alliances.)

- Which external influences affect the Keiretsu network and in what way?

External influences on the Keiretsu networks A: External influences do not have any impact. B: External influences have major impact.						
	Mostly A					Mostly B
Past - 5 years ago						
Present						
Future - 5 years from today						

2.2. Internal

What is monitored and controlled within the organization?

- What activities and processes are most important to monitor and control? For example: supplier relations, customer relations, employee's satisfaction, manufacturing, R&D, and purchasing.
- How are these monitored and controlled? For example: through personal meetings with suppliers or customers, automated collection of data and information, budgets, quality checks, downtime within production, number of complaints, and margin.

What is monitored and controlled within the organization? A: Focus on financial figures and profit. B: Long-term stability, quality, market shares.						
	Mostly A					Mostly B
Past - 5 years ago						
Present						
Future - 5 years from today						

3. Incentives
3.1. Internal

Organizational Goal and Objectives
(By goal we refer to statements describing what your organization wishes to accomplish. By objectives we refer to descriptions of exactly what is to be done to reach the goals.)

- Is different incentives aligned with the goals and objectives of the organization? For example: the employee receives a higher bonus if the organization gets few customer complaints, there are cost reductions, market shares, or margin is increased.

Organizational Goal and Objectives
A: Aligned.
B: Non-aligned.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

Business model
(By business idea and model we refer to what you deliver, what and where it adds value to someone.)

- What would you describe as you business model? For example: trucks with low operation costs, environmental friendly trucks with low emissions.
- How would you describe that the work within different functions and activities are aligned with the business model? For example: R&D has freedom to develop certain areas that are aligned with the business model, product planning is involved with both customers and development.

Business model
A: Aligned.
B: Non-aligned.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

4. Organizational structure
4.1. Internal

Formal or informal structure
(By formal or informal, we refer to if the structure is well documented and official or if it is more of built on personal relations.)

- How would you describe the organizational structure of your company? For example: well documented and official organizational charts or by more informal cross-functional networks.
- Are there any projects where your organization uses cross-function groups? For example: product development, manufacturing, and purchasing.

Formal or informal structure
A: Well-defined organizational charts.
B: Informal cross-function networks.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

5. Power structure
5.1. External

Power possessed by external stakeholders
(By power we refer to their possibility to affect different functions and processes within the organization)

- How does the keiretsu network affect different functions or decisions within the organization?

Power possessed by external stakeholders
A: The Keiretsu has no affect on the functions and decisions.
B: The Keiretsu has a major affect on the functions and decisions.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

5.2. Internal

View of leadership
- How would you define good leadership?
- How would you describe the leadership existing in your organization?

View of leadership
A: Experience and seniority.
B: Personal skills.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

Powerbase
(By powerbase we refer to the possibility to influence and make an impact on decisions.)

- Which function or department is most important for the success of the company?

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- Does this department have a greater influence in compared to others?

Powerbase A: Power is equal distributed throughout the organization. B: Power depends on what type of department or function.	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

6. Symbols
6.1. Internal

Strategies highlighted in publicity

- What type of information does you company highlight in publicity? For example: margin and profit goals, growth and expansion plans, market share goals, and employee satisfaction.

Strategies highlighted in publicity A: Expansions and growth. B: Stability, relative market share, positions relative competitors.	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

Titles

- How is title connected with responsibility, tasks and power?

Impact of titles A: Title correlates with tasks, responsibility and power. B: Title does not correlate with tasks, responsibility and power.	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

7. Stories & Myths
7.1. Internal

Stories and myths told within the organization

- Are there any stories or myths at your company?
- What are they about and what influence do they have?

Stories and myths told within the organization
A: Myths and stories reflect success.
B: Myths and stories reflect challenges.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

8. Routines, rites & rituals

8.1. External

Recruitment
- How do you attract good students?
- Is there any cooperation with Japanese Universities to attract good students?
- If you could chose your colleagues what character would you like them to have?

Recruitment
A: The organization works active to attract students with certain profiles.
B: Recruitment through more general channels.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

8.2. Internal

Introduction, transformation, apprenticeship, training, and education of employees
- How are new employees introduced and trained?
- Are there any forms of apprenticeships?
- What level do you start as a new employee and do all the new employees start at the same level?

Introduction, transformation, apprenticeship, training, and education of employees
A: The organization works active with introducing and training new employees.
B: New employees go through a more informal on-the-job-training.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

9. Processes
9.1. Internal

Ways of handling opportunities and changeovers
- How do you feel that the company encourages the employees to identify and communicate opportunities?
- How would you describe a successful changeover within your organization?

Ways of handling opportunities and changeovers

A: Swift changeover and emphasis on quick result.

B: Consensus and communication trough out the organization.

	Mostly A						Mostly B
Past - 5 years ago							
Present							
Future - 5 years from today							

A4 – Perceived Development of Key Aspects

1.1 Communication - Internal
Way of communication within the organization

Employees at Nissan Diesel

Formal, structured, and planned *Informal, ad hoc, and based on personal relationship*

Swedish and French employees at Volvo

Formal, structured, and planned *Informal, ad hoc, and based on personal relationship*

External Interviewees

Formal, structured, and planned *Informal, ad hoc, and based on personal relationship*

2.1 Control Systems - External
Stakeholders affect on governance of the organization

Employees at Nissan Diesel

External stakeholder do not have any impact *External stakeholder Have major impact*

Swedish and French employees at Volvo

External stakeholder do not have any impact *External stakeholder Have major impact*

Control Systems - External
External influences on the Keiretsu networks

Employees at Nissan Diesel

*External stakeholders do
not have any impact*　　　　　　　　*External stakeholders
have major impact*

Swedish and French employees at Volvo

*External stakeholders do
not have any impact*　　　　　　　　*External stakeholders
have major impact*

External Interviewees

*External stakeholders do
not have any impact*　　　　　　　　*External stakeholders
have major impact*

2.2 Control Systems - Internal
What is monitored and controlled within the organization

Employees at Nissan Diesel

*Focus on financial
figures and profit*　　　　　　　　*Long-term stability,
quality and market share*

Swedish and French employees at Volvo

*Focus on financial
figures and profit*　　　　　　　　*Long-term stability,
quality and market share*

External Interviewees

*Focus on financial
figures and profit*　　　　　　　　*Long-term stability,
quality and market share*

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3.1 Incentives - Internal
Organizational goal and objectives

Employees at Nissan Diesel

Aligned   *Non-Aligned*

Swedish and French employees at Volvo

Aligned   *Non-Aligned*

External Interviewees

Aligned   *Non-Aligned*

Incentives – Internal
Business Model

Employees at Nissan Diesel

Aligned   *Non-Aligned*

Swedish and French employees at Volvo

Aligned   *Non-Aligned*

External Interviewees

Aligned   *Non-Aligned*

4.1 Organizational structure - Internal
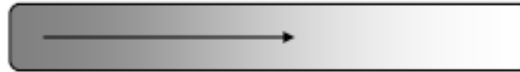Formal or informal structure

Employees at Nissan Diesel

Well-defined organizational charts   *Informal cross-function networks*

Swedish and French employees at Volvo

Well-defined organizational charts   *Informal cross-function networks*

External Interviewees

Well-defined organizational charts   *Informal cross-function networks*

5.1 Power Structure - External
Power possessed by external stakeholders

Employees at Nissan Diesel

The Keiretsu has no affect on the functions and decisions   *The Keiretsu has major affect on the functions and decisions*

Swedish and French employees at Volvo

The Keiretsu has no affect on the functions and decisions   *The Keiretsu has major affect on the functions and decisions*

External Interviewees

The Keiretsu has no affect on the functions and decisions   *The Keiretsu has major affect on the functions and decisions*

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5.2 Power Structure - Internal
View of leadership

Employees at Nissan Diesel

Experience & seniority   Personal skills

Swedish and French employees at Volvo

Experience & seniority   Personal skills

External Interviewees

Experience & seniority   Personal skills

Power Structure - Internal
Powerbase

Employees at Nissan Diesel

Power is equal distributed   Power depends on what type
throughout the organization   of department or function

Swedish and French employees at Volvo

Power is equal distributed   Power depends on what type
throughout the organization   of department or function

External Interviewees

Power is equal distributed   Power depends on what type
throughout the organization   of department or function

6. Symbols - Internal
Strategies highlighted in publicity

Employees at Nissan Diesel

Expansion and growth   *Stability, relative market share, positions relative competitors*

Swedish and French employees at Volvo

Expansion and growth   *Stability, relative market share, positions relative competitors*

External Interviewees

Expansion and growth   *Stability, relative market share, positions relative competitors*

Symbols - Internal
Titles

Employees at Nissan Diesel

Titles correlate task, responsibility and power   *Titles do not correlate with task, responsibility and power*

Swedish and French employees at Volvo

Titles correlate task, responsibility and power   *Titles do not correlate with task, responsibility and power*

External Interviewees

Titles correlate task, responsibility and power   *Titles do not correlate with task, responsibility and power*

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7. Stories and myths - Internal
Stories and myths told within the organization

Employees at Nissan Diesel

Myths and stories reflect success   *Myths and stories reflect challenges*

Swedish and French employees at Volvo

Myths and stories reflect success   *Myths and stories reflect challenges*

External Interviewees

Myths and stories reflect success   *Myths and stories reflect challenges*

8.1 Routines, rites & rituals - External
Recruitment

Employees at Nissan Diesel

The organization works active to attract students with certain profile   *Recruitment through more general channels*

Swedish and French employees at Volvo

The organization works active to attract students with certain profile   *Recruitment through more general channels*

External Interviewees

The organization works active to attract students with certain profile   *Recruitment through more general channels*

8.2 Routines, rites & rituals – Internal
Introduction, transformation, apprenticeship, training, and education of employees

Employees at Nissan Diesel

The organization works active to with introducing and training new employees

New employees go through a more formal on-the-job training

Swedish and French employees at Volvo

The organization works active to with introducing and training new employees

New employees go through a more formal on-the-job training

External Interviewees

The organization works active to with introducing and training new employees

New employees go through a more formal on-the-job training

9. Processes - Internal
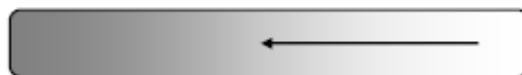Ways of handling opportunities and changeovers

Employees at Nissan Diesel

Swift changeover and emphasis on quick result

Consensus and communication trough out the organization

Swedish and French employees at Volvo

Swift changeover and emphasis on quick result

Consensus and communication trough out the organization

External Interviewees

Swift changeover and emphasis on quick result

Consensus and communication trough out the organization