



LUND UNIVERSITY
School of Economics and Management

Department of Business Administration
FEK P01 - Master thesis

Management Accounting and Control Systems integration in mergers and acquisitions

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Summary

Management accounting and control systems integration in mergers and acquisitions are described and examined in this study that look into two large acquisitions made by two Swedish MNEs. A new theoretical framework is developed and applied to analyze the findings, which in turn are also contrasted against the findings from the few previous studies on the subject matter.

Abstract

Title: Management Accounting and Control Systems integration in mergers and acquisitions

Seminar date: June 17, 2010

Institution: Department of business administration, School of Economics and Management, Lund University

Course: FEKP01

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Key words: Management accounting, control system, mergers and acquisitions, integration

Purpose: The purpose of this study is to create insight on integration of management accounting and control systems following mergers and acquisitions by describing and analyzing the integration process and the design of the (new) MACS

Method: Inductive, qualitative cross-case design with two case studies

Theories: Previous empirical research on management accounting and control system integration, decision-making models and management accounting change theory

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1 Introduction

Corporations seek to grow either organically or by means of mergers and acquisitions. The former approach entails plenty of time under normal circumstances for management accounting and control systems (MACSs) to evolve, to best support the strive to achieve the objectives set forth. The latter approach, however, may entail dramatic changes as concerns management accounting, and such changes may take place while organizations may depend on management accounting to function smoothly.

1.1 Background

Integration of two companies' MACSs may come in a variety of shapes as the design of MACSs and the process of integration are mutually subject to context as well as numerous circumstances and deterministic factors. Two such factors that have considerable bearing on MACS integration are the strategic intentions that motivate acquisitions and the subsequent general integration for the first factor determine the second (Bower, 2001) which in turn evidently provides the context for MACS integration.

1.1.1 Mergers and acquisitions

The latest financial crisis severely affected M&A activity by taking what in retrospect seems like an almost unlimited supply of credit off the market and instilling uncertainty among companies as concerned the future. For these reasons, mergers and acquisition activity declined dramatically. Activity started to rise again as the mood on the financial markets and among companies recovered when credit slowly started to flow again and uncertainty declined.

For those companies that do decide to go ahead with acquisitions, chances of success is hard to realize for they must increase shareholder value faster or more than what they would be able to do on their own. To show how such increase in shareholder value and growth rate will be accomplished companies list certain objectives of M&A but the chances of successfully attaining every such objective set forth in advance are discouragingly low according to (Cartwright & Schoenberg, 2006, s. S4), a study that examines the past thirty years of M&A research. Moreover, the study also asserts that success rates have not improved; fallacies in past research were accounted for. A major problem, however, is that studies use different measures, there is no consistent ways of measuring how well mergers and acquisitions fare. As (Maurizio & Degenhard, 2008, s. 55) puts it:

“Despite the massive amount of research done, there is little or no agreement both across and within the disciplines on how to measure acquisition performance. Approaches vary along several dimensions, from subjective (e.g., qualitative assessments of degrees of synergy realization, of integration process efficacy, and of strategic gap reduction) to objective measurement methodologies (e.g., financial and accounting figures), from short-term (e.g., a few days before)”

The common measures can be classified into short-term, integration and long-term performance measures where the second and third types are strongly correlated. It is concluded that “M&A performance is a multifaceted construct; there is no one overarching factor capturing all the different ways used to proxy it”. What is certain is the fact that mergers and acquisitions continue to appeal to corporate executives as a way of achieving growth, all or often few of the objectives used to justify M&A are seldom realized altogether and, as matters most to this study, integration performance is key to long-term M&A performance.

According to (Bower, 2001), M&As may be of various types, that is to say they may be motivated by different underlying strategic intentions; or as the study's title asserts: “Not all M&As are alike – and that matters”. The strategic intentions are *industrial convergence, M&A as R&D, overca-*

capacity, financial, or any of product, market or geographic extension. The different types of M&A have different bearings on general integration.

1.1.2 General integration

While MACS integration is the focus of this study and general integration is not, the latter is essential to incorporate. The reason: general integration constitutes the an overall change process in which MACS integration takes place, and thereby shapes the context in which MACS integration takes place, as was previously stated. The general integration is a link connecting M&A and MACS integration.

General integration performance, as was previously stated, strongly correlates with long-term M&A performance. At the same time, successful and comprehensive integration is hard to accomplish. The alluring depiction “Welcome to the big league of Change Management” and the idiom “It is much easier to do a deal than to implement one” by (Galpin & Herndon, 2007) illustrates this fact. There are a multitude of texts by scholars and practitioners that describe the numerous and substantial risks and challenges that are inherent in general integration as well as present prescriptions on how to execute integration initiatives and remedy and overcome the challenges (c.f. (Gerds et al., 2010) and (Galpin & Herndon, 2007)). One key driver behind successful integration, for example, is said to be previous integration knowledge, both in the form of tacit and codified integration knowledge.

1.1.3 MACS integration

Research into integration of two companies’ management accounting following M&As may assume different approaches. Such approaches may for example be as seen from the central agent of management accounting, the management accountant (controller); management accounting as seen as an organizational function or department, either in isolation or in conjuncture with related domain areas: finance and accounting; or as a system of management accounting. This study engages the subject matter by the third approach, as a system, framing management accounting as management accounting and control systems. This is consistent with the work of (Granlund, 2003) but foremost it is believed that this approach offer a broader framing of the subject matter.

Furthermore, the MACS design and integration processes may come in a variety of degrees of deliberateness, formality and structure..

The nature of MACS

To delve into MACs integration and by means of a systems approach, a theoretical model is subsequently created. Within this model are concepts of *means, activities* and *roles* that are commonly associated with management accounting. In this study, they are the constituting elements of MACSs. Moreover, information and communication technology, ICT, have such a strong influence and determinacy on management accounting that such technology, here in the form of accounting information systems (AIS) and business intelligence (BI) are seen as MACS elements as well.

Management accounting is not limited to be used solely by management accountants and neither is it limited to be used solely centrally within organizations. Instead, management accounting permeates organizations; that is, it is made use of throughout organizational hierarchies, entities and projects and by various and numerous organizational members some sort of responsibility, regardless of their physical location. It comprises the essential means of control for effective decentralization.

Device for general integration

Management accounting is primarily concerned with providing decision-makers with information on organizational performance on a continuous but also on a also ad-hoc basis. Such information on organizational performance becomes especially important when companies undergo general integration. Then, management accounting can likened to as a device for facilitating general integration by

providing decision-makers with information needed to plan, track and follow up on all the various integration efforts as well as the general integration. However, there is one inherent problem in using management accounting as a device for general integration. As (Granlund, 2003) argue:

“Paradoxically, however, there is typically no time to adapt (integrate) the [MACS] to serve this task conveniently, not to mention true attempts to develop the system into something new”.

Then, while MACS may need to be integrated as a consequence of M&A, it is also seen as an important device for facilitating general integration which at the same time constitutes the wider context in which, as previously stated, MACS integration takes place. One if not *the* factor that most significantly causes this delay contributing before MACS can facilitate exhaustive, organization-wide information is differences in ICT-systems. This factor is largely unavoidable and inevitable to M&As, according to (Robbins & Stylianou, 1999, ss. 205-206).

Essentially then, the sooner MACS (and innately ICT) are integrated the better general integration can be facilitated. However, one probably has to accept the fact that while elements of MACSs may be integrated early on ICT may need considerable time before properly working.

1.1.4 Theoretical development

Twenty-five years ago, Jones (1985b) wrote “[T]he conditions of rapid change which frequently accompany an acquisition present considerable challenges to both users and designers of accounting information systems.” To this day, research that can remedy this problem is yet to be written. There are a few exceptions however, but none that frames the issues and solutions in a clear, concise and accessible manner and especially not from the viewpoint of the practicing designer and owner of MACSs, i.e. the management accountants.

The opposite is the case when it comes to integration in general – a multitude of consulting reports, research papers and textbooks with a broad scope on and approach to M&A integration exist and offer a plethora of normative frameworks. The lack of research on MACS integration is at odd with the perception that a working MACS is essential for organization under normal circumstances but especially so in situations of general integration. Also strange is the lack of normative frameworks for MACS integration as normative frameworks (‘best practices’) in other areas are very common. Are the chances for successful MACS integration worse than what would otherwise be the case had such frameworks been used in practice?

An explanation for the lack of MACS integration theory may come from the multitude of research and texts produced in adjacent areas. Middle-range theories as well as empirical findings on organizational change management, accounting change and general M&A integration may have served as substitute for MACS integration theory. A second explanation may derive from the fact that management accounting is part of the organizational function of finance and accounting. Instead of approaching MACS integration in isolation, practitioners go about MACS integration as part of the overall integration of the finance function and or department.

1.2 Presentation of problem

The little research on MACS integration conducted so far together with practitioners approach to the subject matter, as part of whole finance and accounting function and department integration leaves a void, an opportunity. Research into MACS integration that is contemporary and assumes a broad focus while at the same time emphasizes management accounting may resolve this void.

Such research would assume the practicing management accountant’s point of view, and may even if not in the form of a normative framework, allow for overview of and alleviate integration of two companies’ management accounting. For such normative frameworks to be constructed, it is necessary to carry out studies that by means of rich details and illustrations portray what MACS inte-

gration may look like. First thereafter, studies with intentions to generate results that be used for generalization should be performed, and which in turn can be used to build normative frameworks.

What needs to be examined is the design and process that MACS integration entails; that is, the design of the (new) MACS and the process of integrating two such systems.

The issues and dynamics related to these two aspects needs to be framed, portrayed, clarified and analyzed so as to make it accessible and enable subsequent testing on a larger scale.

1.3 Purpose

The purpose of this study is to create insight on integration of management accounting and control systems following mergers and acquisitions by describing and analyzing the integration process and the design of the (new) MACS.

1.4 Limitation

Due to the stated purpose and methodological challenges, this study intentionally does not to look into technical, detailed aspects of the MACS integration. Instead, it assumes an abstract approach to the subject matter. This is no weakness, however, since MACSs, in terms of technical and detailed configurations, differ widely among organizations. Detailed and technical aspects of MACSs are therefore of less relevance as compared to overall management accounting practices and philosophies.

2 Methodology

To support the attainment of the purpose set forth earlier, this study assumes primarily a theoretically inductive approach since it primarily concerns generation of new theory, which is the study's main objective. However, just as inductive studies often carry elements of a deductive approach this study test the findings of previous studies on MACS integration and therefore engage deductive facet in addition. Epistemological and ontological considerations

2.1 Research strategy

A qualitative research strategy is engaged to facilitate the predominantly inductive nature of this study while at the same time also allow for the study's deductive component.

Similar to the inclination of qualitative research, the intention is to provide rich descriptions and put emphasis of the context. It is believed this context affects and determines the boundaries for MACS integration. Also in line with a qualitative strategy is the emphasis of process. Here, the process of both general integration, in which MACS integration takes place, as well as MACS integration are broadly illuminated. Moreover, a qualitative strategy allows more flexibility and less limitation in terms of structure, something essential for what is essentially generation of new theory on MACS integration.

This study assumes ontological and epistemological positions that are at odds with what qualitative research strategy should entail. As MACS integration is viewed as something real and viewable from an external viewpoint, the ontological perspective is objective. Epistemologically, the study is more congruent with positivism than with interpretivism as it adheres to the five principles of positivism laid out by (Bryman & Bell, 2007). Moreover, is follow in the steps of the qualitative tradition of naturalism that seek to grasp social reality as it is, providing rich illustrations of people and their interaction with each other. (Bryman & Bell, 2007)

2.2 Research design

To capture and elucidate unique features of MACS integration, a case study research design was adapted.

Although MACS integration presumably may take a variety of shapes, some may be more representable than others may, and for this reason a representative case study design, or as close to such as possible, a representative case study design was selected, i.e. a case study design that seek to explore cases typically common in business life. This type of case study design entails relatively more generalization and, to some extent, may counterbalance the intrinsically low level of generalization inherent in case study research.

To further enhance the level of generalization, a comparative research design was also adopted as two cases of MACS integration were studied. The level of comparability is limited however. This limitation primarily derives from methodological limitations inherent in the empirical enquiry, which will be elucidated later. Another reason for the limitation derive from what was previously stated: MACS integration may come in various shapes and feature different characteristics. Nonetheless, elements captured and analyzed in both cases do offer comparability and thereby facilitate a greater understanding of similarities and differences in MACS integration.

It is beyond scope to evaluate the appropriateness of MACS characteristics, before and after integration.

2.2.1 Theoretical scope

Descriptions of mergers and acquisitions as well as general integration are imperative to incorporate but only to the extent necessary for understanding the context they provide and their influence on MACS integration. Moreover, change theory, all-purpose or specific to general integration or management accounting, are abundant and readily available in textbook, consultative and qualitative formats; therefore, they are only incorporated to some extent.

The research on MACS integration is as previously stated very limited and this is the reason why this study takes on a primarily inductive approach. The few existing studies made so far are incorporated however. This is done in order to present these previous studies and their findings; to contrast this study against its predecessors; to reveal theoretical influences; and to add to the theoretical framework. Theories from adjacent strands of research are also made use of. Together, theories of various origin are employed to decide which empirical issues are of interest, how to frame the issues, to examine and to analyze the findings.

Empirical findings	Purpose and scope	Method	Motivation
MACS integration			
(Jones, C. S., 1985b)	The management control relationships established between acquiring and acquired companies during the first two years of after the acquisition. Contingencies of MAS in mergers and acquisitions	30 firms interviews	
(Jones, C. S., 1985a)	The willingness of the acquirers to accept differences and variation in the acquired companies' management accounting systems		
(Jones, C. S., 1986)	Descriptive analysis of organizational and accounting control systems (ACS) characteristics after acquisition	Case study of two acquisitions made by the same company	
Jones (1992)	Why and how owner-managers changed their perceptions of the role and importance of ACS following MBOs	17 companies interviews with senior managers	
(Granlund, 2003)	MACS integration under in a special context	One longitudinal case study	MACS integration under atypical circumstances
(Tarasovich et al., 2008)	Integration of finance department	No real research methodology,	Represent practitioner's guide to MACS integra-

Table 2.1

2.2.2 Previous empirical studies

Even though this study is of an inductive nature it does incorporate the small number of previous studies on MACS integration. The motives are: first, to outline the form of these previous studies and to present the theory accumulated thus far present; second, to incorporate the rich findings of these studies; and third, to provide some reference point against which the contribution of this study can be contrasted.

Jones (1985b, a, 1986, 1992)

The research by Jones (1985b, a, 1986, 1992) was not to study MACS integration per se but to study management accounting change in general. Fortunately for subsequent research on MACS integration Jones believed that the context of MACS integration would offer a more 'rich' context and set of circumstances for management accounting change and therefore selected such empirical situations for his studies. Empirically, the studies examined 30 UK-based companies with turnovers of £1.5M to just above £50M and that had undergone at least one merger and acquisition or management buy-out three to four years prior to 1981. Management buy-outs are not the same acquisitions and conclusions drawn from the study that used the empirics from such cases, Jones (1986) that is, are therefore likely not as valid theoretically as those drawn from cases of 'pure' mergers and acquisitions.

The relationships, and changes therein, between acquiring and acquired firms' MACS were analyzed. Eighteen of the cases were examined through the acquired companies' executives, eight examined through both acquiring and acquired executives and the last four through executives in acquired companies only. Four articles were consequently published as a result of the research. Contingency theory was central in the studies, except Jones 1986 who adopted it only in principle.

Granlund, 2003

MACS integration was given prominence as a subject matter of its own in a longitudinal case study by Granlund (2003). It was argued that

“Despite the very large number of mergers and acquisitions, we seem to know little about their effects on the technical and social dimension of management accounting systems” and “mergers and acquisitions have rarely been analyzed from management accounting’s point of view, and especially so if we are looking for studies that try to understand the human and social aspects of these processes”

The point of interest was an integration of two companies of equal size but with different cultures and management accounting systems. It was examined primarily from a behavioral and not a technical perspective; it examines management accounting principles and practices at the corporate level. Detailed accounts of MACS integration were laid out for the first time and empirical findings were contrasted with conclusions made in earlier empirical studies; that is, Jones' various studies as well as (Roberts, 1990). Findings were explained by management accounting institutional and structuration theories.

2.2.3 The MACS theoretical construct

The main intent is on portraying differences and actions (and actions not taken), not to give detailed accounts of the configurations of the various MACS elements. Such detailed descriptions would require massive empirical enquiry and elaborate modeling, which is beyond this study. Nevertheless, descriptions of the companies' MACSs and elements therein are detailed to various degrees to illustrate and convey an understanding of the systems and the elements.

A table over the constituting MACS elements is presented to illustrate what data are central to this study and how well the empirical enquiry captured these data; the table is explained in full in the theory section.

One flaw inherent in this study can be found in the portrayal of the actual MACSs and their constituting elements. To depict them, their characteristics, features and the way people interact with them are abstracted and condensed to a high degree. Naturally, it is the intent to portray the systems and elements as good as possible but complete and flawless depiction of the whole system and elements would require excessive amount of time, energy and access to company representatives. Instead, the aim is to give fairly accurate accounts by drawing on author intuition and experience as well as academic literature. This flaw, however, has less to do with the selected method but more to the fact that such limitations are almost inevitable, regardless of research design. By emphasizing the differences rather than the similarities, the inherent flaw can be partially overcome. One can put the delineated differences in relation to common configurations of whole systems and elements thereof and thereby analyze and draw conclusions.

2.3 Method for empirical inquiry

The means by which empirical facts were collected were by semi-structured interviews, by publicly available documents like annual reports and press releases and by mail correspondence.

Selection of acquisition cases

The two selected acquisition cases derived from acquisitions made by Swedish multinational enterprises listed on the OMX Nordic exchange. The two cases were selected for their share scale. The reason was that integration of large companies, as compared to integration of smaller companies, was believed to more likely entail 'richer' integration dynamics and to cover more issues and aspects.

The study offers the viewpoint of the acquiring companies only. To get a balanced viewpoint, i.e. offering the acquired companies viewpoint, would require much empirical inquiry beyond the methodological possibilities inherent in this study. The two companies have been absorbed into the acquiring companies and it was deemed likely that key personnel from acquired companies would be difficult to find as well as to interview. Even though interviews conducted via phone would have been possible the risk of the subject being too sensitive for the counterpart was deemed too high; such realized experiences were laid out in Granlund (2003). Moreover, key people are likely to seek employment elsewhere in the wake of mergers and acquisitions.

Anonymousness

Two companies were selected for this study. The names of the companies and of the representatives interviewed are kept anonymous in order to adhere to the discretion offered to and agreed upon by the interviewees. There is obviously a balancing act attached to anonymousness however. If the companies are identifiable, readers will likely better understand the cases at hand. Then again, individuals may be more comfortable with being interviewed if they know they will remain anonymous, and may therefore be more open and frank in their answers than what would otherwise likely be the case. Moreover, removing details that can be used to identify the companies may risk removing details of importance.

To manage this balancing act the companies are given fictitious names and the individuals are only referred to by their positions. This way the companies and interviewees remain hidden from internet searches and are anonymous yet partly identifiable to the knowledgeable reader and details concerning the companies are not left out. In case one, the acquiring company is referred to as WTY and the acquired company as QRS while in case two the acquiring company is referred to as MNK and the acquired company as LJP.

The company representatives

The company representatives that were selected for the interviews were corporate controllers. By being at the top of the management accounting function it was believed that such individuals would be the ones most likely to be most knowledgeable of the MACS integration. Since no one else was interviewed, it cannot be proclaimed that this study offer a widely held and shared view of what did and did not take place.

At WTY three individuals, two business controllers and one financial controller, agreed to be interviewed. Due to time limitations, instead of individual interviews a group interview was suggested and agreed to. The senior business controller (BC1) had been with the company for some twenty years. He had held various positions before finally arriving at his current, group business controller. The other business controller (BC2), also a group business controller, had been with the company for one and a half years, first as business controller at one of the Swedish divisions for one year and then at corporate headquarters for more than six months. He had not held any tasks and responsibilities related to the integration process but he was later intended to work with group business intelligence and its implementation. It was believed he could give appreciated information on the acquisition, integration and MACS design nonetheless. The financial controller (FC1), also at corporate headquarters, had been with the company for more than one year. Prior to this position he had been with a big four auditing firms as an auditor. His position comprised reporting, accounting and treasury and had been engaged in the accounting information system, AIS, related to the integration.

At MNK, the group business controller agreed to be interviewed. He had been with the company for almost his entire career. He reported directly to the group CFO and other business controllers reported to him in dotted-line relationships. He was usually part of committees overseeing integration of acquired companies. In the case of the integration of LJP, he was on the integration management team, deeply involved in the integration process.

His notion was that his involvement had concerned the overall integration, and that he had used management accounting to facilitate it. As the group business controller, he effectively managed the management accounting even though this function was not formal but rather informal. Management accounting functions typically exist only as informal functions as management accountants (or business controllers) primarily report to the line managers they are positioned at, and only secondarily upwards to the next management accountant in the hierarchy; usually these hierarchies comprise only two layers for that matter. For this reason, even though BC1 thought of himself as having been concerned with the overall integration, he was fully aware of the company's other management accountants (his informal subordinates), and thereby fully knowledgeable of the MACS integration as well.

The interviews

The interview with the representatives from WTY took two hours while the interview with the representative from QRS took one and a half hour. Both interviews were held at each company's headquarter respectively. The interviews were saved in audio-recordings that subsequently were transcribed.

The interviews comprised numerous questions, which in turn were of two formats. The first format was of simple questions. These questions were influenced by the earlier empirical studies previously presented. The second question format was of table cell question, constructed to a large degree by author intuition. These questions concerned features of the acquiring and acquired companies MACS at the time of the acquisition, the reasons for integrating MACS elements, the integration process and the outcomes.

The interviews were loosely structured which lead to narrative-driven accounts of the MACS integration and surrounding events and contexts. The loose structure entailed both positive and negative implications. First, the interviewees were allowed to answer and associate freely, providing information that were less affected by author preconceptions. Second, it is believed that the interviewees were more relaxed and comfortable with telling their narratives as compared to having to

answer theoretically derived question by a researcher with no experience of MACS integration. Third, it was difficult to ensure all questions were answered while simultaneously listening actively to make sure to ask follow up and more elaborate answers when needed. Forth, it was difficult to see and ensure that the table cell questions were answered. Instead, it was subsequently discovered that some were omitted and subsequently had to be filled by interpreting the accounts given in the narratives.

Despite the fallacies, the selected approach is believed to have been necessary because of the nature of the study. With very limited previous research to rely on, no theoretical model from which question could be drawn existed. In addition, the time available for research and for access to interviews was rather limited. Without these fallacies, a grounded theoretical approach could have been undertaken, asking semi-structured questions at first and later asking having the table cell questions answered, making it a repetitive process allowing for refinements of the questions and more 'fitting' answers. The study is exploratory and certain limitations are therefore inevitable.

3 Theory

This study, as was previously stated, employs assumes primarily an inductive approach meaning it is to generate new theory, no to test or further existing theory. Also as previously stated, existing theory is described to illustrate previous findings, to present this research field's historical development and to contrast the findings of this study. The new theory is developed in the analysis section.

3.1 Past research on MACS integration

Past contributions to MACS integration research are presented, as is an example of research of a consultative nature.

3.1.1 Early foundation

Jones' primarily contingency studies on MACS integration examined what influences affected the integration processes and design of (new) MACS. Common contingency factors were identified as corporate size, technology, (strategic) objectives, competition, culture, and management philosophy, i.e. the same variables that typically influence the shape of MACS in modern organization. Some more exciting discoveries the studies made were wide-ranging issues related to M&A.

In the first study, Jones (1985b), the focus is on the management control relationships that were put in place in acquired companies following mergers and acquisitions. The central conclusion is that establishing order in acquired companies by introducing the acquiring firm's MACS should not be taken for granted.

In the second study, Jones (1985a), the focus is on to what extent acquiring companies accepted differences regarding their and the acquired company's MACS. It was discovered that variations were allowed but the extent of it differed between different contextual settings of mergers and acquisitions, which is argued to be consistent with contingency theory. Contrary to this, significant differences between individual companies but with similar contextual factors were found, which led Jones to believe that he had missed out on additional factors. One such factor, that he then introduced, is the principal preferences (concerning MACS design) of dominant individuals and groups of individuals, coalitions. These preferences became a type of distorting factor if they did not conform to the genuine needs of the organization.

In the third study, Jones (1986), the interest is in presenting detailed description of two acquisitions made by the same company and the MACS: s in question. Compared to the previous two studies, the contingency approach is somewhat relaxed. One of the most noteworthy conclusions put forward is the intentional destruction of the acquired company's pre-acquisition MACS. Also, aspects such as the symbolic meanings associated with group MACS and dominant individuals in the process of integration were introduced.

In the fourth and last study, Jones (1992), the center of attention is on why and how the owner-managers, following management buy-outs (MBOs), changed their view of the role and importance of MACS. Owner-managers used MACS in a “selective manner to facilitate changes in organizational structures and in the attitudes of participants, as well as to improve efficiency and profitability”. The conclusion made was that the features of the MACSs were altered MACS matching the needs of the organization and wider context.

3.1.2 MACS integration under atypical circumstances

The organizational aspects of power and politics are given prominence and three new explanatory factors with bearing on MACS integration are introduced in Granlund (2003). The study makes use of Burns and Scapen’s (2002) institutional theory and structuration theory by (Giddens, 1986).

The institutional framework ascribes organizational behavior as becoming institutionalized and thereby impeding change, particularly change that threatens existing institutionalized behavior, norms and values. Such change is often associated with integration following M&A. Therefore, institutionalized behavior is perceived as real threat to integration efforts. Structuration theory is put to use for a number of reasons. First, it is used to make clear the magnitude inherent in the role of individuals in organizational arrangements, that is, the knowledgeable agent. Second, the theory is also used to present the notion of MACS as interpretative schemes illustrating institutionalized norms and rules in organizational communication. Third, the theory helps to illuminate “signification (creation of meaning), use of power, and legitimacy of action”. Fourth, explanations for cultural change, organizational resistance and unintended consequences ensuing from organizational change attempts are also offered by this theory.

Track record

One aspect only briefly mentioned in the study but that warrants more discussion is that of the acquiring company’s track record of earlier acquisitions. It is reasonable to believe that the more experienced a company is on undertaking integration of acquiring companies the better it becomes at such endeavors. However, the integration in question was preceded by a long series of horizontal acquisitions, both small and large, by the acquiring company. This track record should have constituted a considerable source of integration knowledge but the integration was problematic despite of this.

Deviating factors

The conclusions drawn from the previous studies are acknowledged but Granlund contends that in this case it is difficult to decide whether the new MACS is the outcome of changes in specific contingency factors. It was argued that the linkages between factors and outcome are difficult to identify and measure and are therefore uncertain. For that reason instead of solely relying on contingency theory to explain the design of (new) MACS following mergers and acquisition it is argued that analysis of the integration process in itself can offer explanations on the outcome on design of MACS. Granlund introduced three new factors that, together with one factor previously introduced by Jones (1985a), were credited with having a significant impact on the integration outcome.

The first of these four factors, *goal ambiguity*, was introduced as the general goals of the whole acquisition as well as the integration process were vague and supposedly affected the integration and its outcome, namely the design of the MACS. Goal ambiguity as an idea relates to goals that are absent, obscure, ambiguous or even conflicting and therefore thwart rationality in organizational decision-making. The situation, according to Granlund, exhibited rather strong goal ambiguity. There were insufficient understanding of the organizational processes and the decisions showed signs of being practically accidental, conveying resemblance of the garbage can decision model. Evidence of a trial-and-error approach to operation management was also typical (a symptom of limited decision rationality). This gave rise to micro-political competition for power. Curiously, there were even no clear goals as regards the general integration process as top management was unable to establish any. Granlund ascribed this goal ambiguity with notable integration, both general as well as MACS.

Ironically, a source for this goal ambiguity was the lack of reliable and comparable group-wide accounting figures for planning and control but which are preconditioned by a working MACS, thus creating somewhat of a deadlock wherein the two interlinked actions are waiting for the other to finish.

The second factor introduced was that of *unintended consequences*. This notion derives from Giddens' structuration theory and postulates that outcomes of human action may be multiple and come in various degrees of desirability. Similarly, organization and reorganization may result in both intended as well as unintended consequences, although these unintended consequences may not be recognizable.

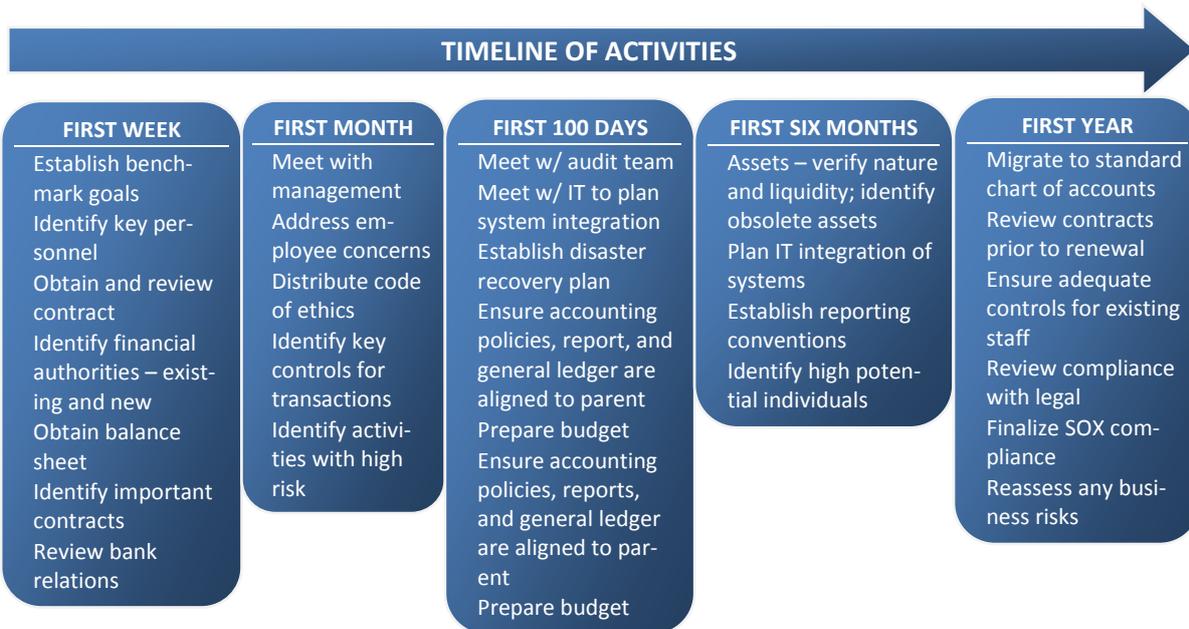
The third introduced factor was that of *lack of common language*. The premise is that MACS serve as a shared and agreed-upon device for communication, i.e. language. Under normal (institutionalized) circumstances MACS make possible information exchange for coordination and control throughout organizations, not matter their physical site. Operations and processes are through MACS made "...visible and thereby measurable, comparable and manageable". There may be a lack of such common language if it (the language) is not shared or agreed-upon, as may be the case following mergers and acquisitions, during integration. Actually, this device is important not only in M&A:s but also in other types of turbulent situations. Granlund saw this lack as a hinder for overall integration, not primarily as an obstacle for MACS integration. However, MACS are by themselves in need of a common language, or else they are congruent throughout the organization.

The fourth factor was that of *dominant individuals*. It was introduced by Jones (1985a) who was puzzled with low correlation between designs of MACSs and selected contingency variables to explain such design. The notion is that dominant individuals or dominant coalitions of individuals can have dominant preferences, and these preferences can have bearing on MACS design even if they (the preferences) are not congruent with what is most appropriate in terms of design technicalities, and can therefore, as Granlund puts it: "*confuse the explanatory power of contingency theory*". In this case one person, head of group controlling, was solely responsible for the design and integration of the new group-wide MACS, which was deemed as having a considerable impact on the overall integration. Noteworthy is that with this in mind Granlund advocated that the human individual should be given more attention in accounting studies.

3.1.3 Practitioner's approach - department integration

Instead of focusing on integration of systems of accounting, (Tarasovich et al., 2008) assumes the practitioner's approach to finance integration by offering an example of a framework for integrating finance departments, i.e. the integration of corporate finance, treasury, financial and management accounting. It is an example of the frameworks consulting firms commonly use to realize integration. This and other similar frameworks do not delve into any discussion about the boundaries of the functions but instead list important issues across the board. This makes sense since many features and responsibilities are overlapping and not always clear-cut as regards which function they belong to; many tasks and responsibilities are interwoven and interchangeable. Working capital for example may be the concern of accounting, management accounting, corporate finance and treasury. The framework provides a good overview of the integration of the other functions' organizational configuration of tasks, responsibilities, systems and features, and that are adjacent to those of management accounting. This way, one can see how MACS integration fits it with integration of the other functions. Of note, since the framework gives the least focus on management accounting issues there is potential to supplement the framework in this regard.

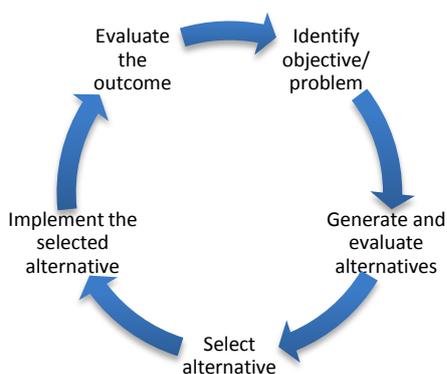
The framework lists seven ordered key issues and comprises a timeline with a set of 27 activities arranged by five categories. The key issues (in order) are *Begin planning, Creation of timeline and benchmarking, Evaluate personnel in finance and accounting functions, Safeguard the assets of the business, Ensure adequacy of financial controls, Review information technology systems, Integrate financial and management accounting and Assess progress, and perform post-integration analysis*



3.2 Two middle range theories

3.2.1 Decision-making

Organizational theory on decision-making depicts organizations as arenas for decision-making as it continuously permeates everything. Decisions are made at all levels and at all times. A classic aspect within this strand of research is the matter of rationality; that is, the rationality involved in decision-making. The more of it, the better the decisions made and the less of it, the worse are the influences from such factors of organizational politics and power. The model for rational decision-making and the factors that constrain the rationality in this process can be viewed in figure 3.2.1 and table 3.2.1 respectively; table 3.2.2 depict conceptual types of decision-making and their differences.



Factors that limit rationality

- Incomplete and erroneous information
- Complexity
- Cognitive limitations
- Time limit
- Obscure and conflicting preferences

Table 3.2.1

Figure 3.2.1

		Objectives or definition of problem	
		Consensus	Disagreement
Method	Consensus	Rational model	Coalition model
	Disagreement	"Trial-and-error"-model	"Garbage can"-model

Table 3.2.2

3.2.2 Management accounting change theory

Two influential fields of research in management accounting change are factor studies and process-oriented research. The former focus on explaining what factors influences devised changes in management accounting to be successful or not. This view can be said to belong to the modernistic, functionalistic and management research discipline. The latter research field is more process-oriented and is based on institutional theories. (Hopper et al., 2007)

Although factor studies were first developed to explain implementation of novel management accounting and control techniques, this type of studies was later advanced to explain general changes in management accounting and control. Underlying this new use was a need to understand what stimulates and impede management accounting change in general. The framework consists of two sets of factors: *stimulators* and *hinders*. To the first category belong the factors *motivators, catalysts and facilitators*. Motivators concerns changes in wider organizational contexts (e.g. competitive market conditions, technology, organization strategy and structure), both internal and external. Catalysts are the more forthright factors that bring about a need for change (e.g. poor financial performance, dive in market share, organizational changes). Facilitators are organizational factors that supports and carry out change initiatives. To the second category belong the factors *confusers, frustrators* and *delayers*. Lastly, to the third category belongs the factors *momentum* and *leaders*.

Process (institutional) theory

The other strand of research on MACS change, and which (Granlund, 2003) draws on, is the process-oriented field (institutional research). It derives from the sociological domain and emphasizes the non-rational, symbolic nature of accounting information.

3.3 A theoretical model of MACSs

It is widely accepted that there is no clear, universal definition or portrait of systems of management accounting their constituting elements. (Heidmann, 2006) Then, to be able to research integration of MACSs a theoretical model of such systems are necessary but since none is readily available, a model must be constructed from scratch.

Due to the study's limited timeframe and labor, the aspiration is to arrive at a model of MACSs and inherent elements that is sufficiently representable, meaningful and credible. By drawing on authoritative figures' descriptions of management accounting and management control systems it is believed that the model constructed carry the above-mentioned characteristics.

Management accounting

The Oxford Dictionary of Accounting defines management accounting as "the techniques used to collect, process, and present financial and quantitative data within an organization to help effective performance measurement, cost control, planning, pricing and decision-making to take place". (Ax et al., 2009) defines management accounting as "...exertion of intentional influence on a business and its decision-makers towards certain objectives". (Horngren et al., 2009, s. 30) defines management accounting as measures, analyzes, and reports of financial and nonfinancial information that helps managers make decisions to fulfill the goals of an organization".

Management control systems

(Merchant & Van der Stede, 2007) suggests a deductively convened definition for management control systems: "Management control, then, includes all the devices or systems managers use to ensure that the behavior and decisions of their employees are consistent with the organization's objectives and strategies. The systems themselves are commonly referred to as the management control systems (MCSs)."

Level of detail

Even if the ambition is to fully integrate two different MACSs, every single element will likely not to be integrated and the ones that are will be integrated to various degrees. Complete integration is difficult to say the least and should not be the aim; congruence down to the smallest detail would likely necessitate unnecessary cost in terms of resources of time and money. A cost-benefit analysis clarifying what elements are prioritized and necessary and carry what implementation costs will help deciding exactly what elements should be integrated, and to what degrees. This study presumes that cases of M&A that necessitates unreserved integration down to every single spreadsheet are rare, if not to say nonexistent.

3.3.1.1 The deduced system

So then, drawing on descriptions and definitions of management accounting and management control systems one can see that MACSs are the configurations of professionals as well as sets and systems of techniques, tools, rules, policies and procedures, activities, processes, and ICT that come in forms of are associated with management accounting and that together constitute a higher level system.

These constituting elements are more or less central to management accounting and control systems. Some are regarded as affiliated with neighboring domains of organizational and management research. Therefore, they can be classified by the strength to which they are affiliated with MACSs: on a continuum of importance to management accounting, at one extreme are the core elements and at the other extreme are the periphery elements. This distinction is important to make since management accountants, whose point of view this study assumes, can affect the various elements to different degrees. For example, management accountants can change the way product calculation are made quite easily but have less influence on compensation since human resources often have a strong say in such matters.

The value-chain (the process)

The value-chain or process of management accounting and thereby MACS can be aid to comprise the steps of collection, processing, analysis and presentation of financial and quantitative information, and provision of recommendations and engagement of further steps to ensure and enhance the chances for the attainment of organizational objectives.

The first step in the value-chain, *collection* of information, is provided by ICT in the form of systems of so-called OLTP (online transaction processing) that collects information from point-of-sales, AIS and other systems. The second step, processing, is also provided by ICT, in this case by forms of business intelligence, usually in the form of ETL (extraction, transformation and loading), data warehousing and processes of analysis and reporting. The third step, that of analysis, involves formal means of management accounting and is provided by the management accountant, which is also the case for the self-explainable fourth and fifth steps.



Figure 2

3.3.1.2 The elements

ICT: Accounting information systems and business intelligence

Information and Communication Technology, ICT, permeates modern organizations and ICT in forms of Accounting information systems, AIS, and Business Intelligence, BI, is imperative for management accounting today for they provide means to collect, record, store and process data to produce information for decision makers. The relationship between such ICT systems and management accounting is described by (Hopper et al., 2007) to be as intense that management accounting in the modern corporation is impossible without ICT.

The futures, complexity, modernity and configurations of these systems vary considerably among organizations however. Such systems typically come in the form of enterprise resource planning systems, ERP systems, ledger applications or just plain spreadsheet applications. Such systems differ in terms of characteristics and features, which is important to bear in mind for such differences entail differences in management accountants' roles, responsibilities and tasks. Integration of MACS comprises several areas – ranging from IT-systems, to techniques to the organization of the individuals involved in maintaining, developing and using the different parts of the system that make up management accounting. At the same time, one has to understand that since MACS involves so much information technology, many aspects of it involves changing entire IT-systems, which is often very problematic and time-consuming.

The management accounting agent: roles, responsibilities, tasks and activities

Ax et al. (2008) presents what they call the tasks of management accounting; that is, what the management accounting professionals engage in. Similarly, (Anthony & Govindarajan, 2007) list the primary activities integral to management control systems.

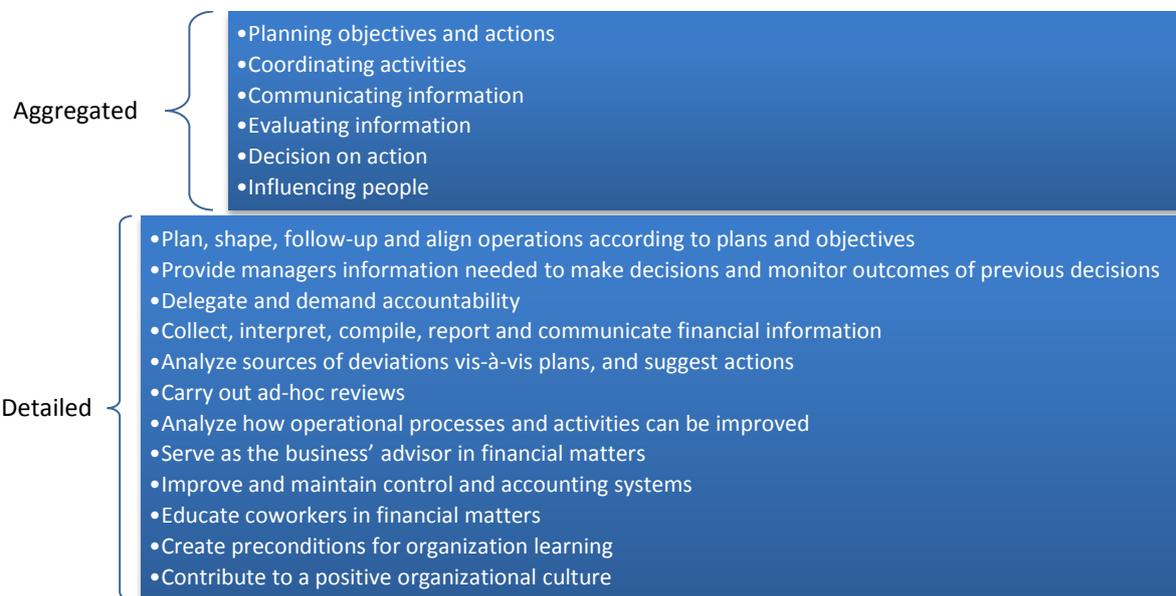


Figure 3

List by (Anthony & Govindarajan, 2007) and (Ax et al., 2009, s. 18)

Means

The means management accounting comprises and that are imperative for the tasks and activities previously stated can be depicted by combining three different classifications.

One of these is the interpretation made by (Ax et al., 2009) offers a simple yet extensive classification of the means that management accounting comprises. The means are classified into three categories: *formal control means*, *organizational structure* and *less formal means*. The first category, formal control means, encompasses methodological means, management accounting's central control techniques. The second category, organizational structure, primarily relates to aspects of organization. Means within this category are not solely associated and interlinked with management accounting but instead also belong to other functions of business administration. The third category, less formal means, encompasses various means that can be characterized as more 'soft' to their nature.

The means of control that make up MACSs can also be classified by the general control types they belong to; that is, the control types that controls that adhere to other functions of business adminis-

tration are normally classified as (cf. Merchant & Van der Stede, 2007 and Alvesson et al., 2007). The four different types are results, action (behavioral), personnel and cultural (normative) controls; the emphasis in MACSs is primarily on results controls.

3.4 A theoretical framework for MACS integration

Overall, this study strives to clarify MACS integration in order to arrive at improved decision-making and consequently improved integration process and design. A way to do this is to construct a theoretical framework with previous research condensed and incorporated, and also to present integration design and process and contrast such with unsound and irrational unintentional design. The empirical findings will later be used to further enhance the theoretical framework.

3.4.1 The MACS design (configuration)

On an aggregated level, three different attributes of MACS design can be said to be the categories of *fitness, performance, costs, and synergies*.

Fitness (contingency theory)

The first issue takes into account the appropriateness of MACS; that is, appropriateness vis-à-vis the businesses MACS are to service. Management accounting is commonly ascribed as configurations of means that facilitate organizations' strive for attainment of their objectives and that the design of such configurations depends on a number of contextual factors, including objectives. Theoretically, MACS integration should for this reason be influenced, constrained and determined by the objectives and prevailing contextual factors in force in the acquired company.

Commonly, organizations objectives are illustrated as dependent on vision, business model (business logic), strategy and plans for various organizational entities, levels, functions etc. (cf. Ax et al. (2008)). Contextual factors, commonly denoted as contingency factors, are typically XXXXXX. All these factors, from this 'Fitness' point of view, have a bearing on MACS integration.

The type that an acquisition can be categorized as generally implies the degree of similarity of two companies MACS. For example, if the strategic intent behind an acquisition is financial only, i.e. the two companies are not even in the same industry, then it is less likely that the two companies share similar MACS as compared to an acquisition where the strategic intent is, say geographic extension. It is a matter of affinity. Anthony and Govindarajan's (2006) illustration of corporate strategy illustrates this notion. Conceptually, three distinct degrees of diversification are the single industry strategy at one end, the related diversification strategy in the middle and unrelated diversification strategy at the other end. How related an acquired organization's strategy is to that of the acquiring company's influence the need for integration. In isolation, this notion of fitness implies that MACS integration should be undertaken if sets of contextual (contingency factors) at force at two organizations are not in conflict with each other.

Of note is that it may be difficult to determine whether the fitness of MACSs is optimal or sub-optimal, as Granlund asserts. For this reason it is probably a good idea to retain key individuals, i.e. senior management accountants, to obtain their opinion on the matter.

Performance (benefits and features)

The second issue takes into account MACS' characteristics in isolation (performance and functioning). MACS:s or elements thereof that are superior in some way than that of the opposite party's corresponding MACS: s or element, be it more features, more modernistic, more cost efficient etc., may motivate whole or partial MACS integration. Here, the performance and functioning of MACS is the chief concern.

Costs (continuous)

The cost attribute comprises both *direct costs* that are inherently associated with the elements as well as *indirect costs* in the form of distorting influence on behavior on the part of those the control element are design to control, c.f. (Merchant & Van der Stede, 2007). The cost attribute in the design category does not comprise implementation costs, these are included in the cost attribute in integration (change and implementation) process.

Synergies

The third issue concerns combinations of MACS:s and what the implications for potential synergies are (efficiency). Eliminations of redundancy in terms of staff, information technology, XXX and XXXX may significantly improve resource efficiency.

3.4.2 The MACS integration process

When considering whether to integrate MACSs, the actual integration process itself may warrant consideration. Integration of a MACS or elements thereof may be costly in terms of time and resources. In addition, there may be differences for the various elements, necessitating breaking down the overall MACS integration process to integration processes of the various elements.

Consideration of necessary *timeframes* as well as two overall classifications, *change dynamics* and *implementation (change) costs* should assuredly comprise most of the important issues. Considering these aspects should answer typical management accounting questions such as if, what, when and how and improve the quality of decision-making on MACS integration and thereby improve the chances for integration success.

The category of change dynamics comprises change management, both organizational change as well as management accounting change that was previously described; implementation (change) costs are the direct and indirect costs associated with implementing selected changes to MACS or replacing systems altogether; and the timeframe issue need no explanation.

Integration issues

When examining integration of whole MACSs along with their elements, certain aspects warrant consideration. Such aspects can be said to be the necessity, the difficulty, the priority and the tradeoffs of as well as the problems and facilitating and obstructing factors associated with MACS integration. It needs no justification to say there are differences with regard to these aspects among the various MACS elements, and therefore need to be analyzed separately.

3.4.3 Proposed ways to classify MACS integration

By assigning cases of MACS integration into categories, one may thereby make comparisons to better grasp the subject matter and to draw inferences. The categories should, as suggested by intuition, be timeframe (fast, moderate, slow), reciprocity (exchange of MACS elements: many, some, few) and the degree of integration (complete, partial, little). Naturally, these classifications intrinsically omits important details and dynamics but the ability to compare cases nevertheless justifies limitations; one just has to bear in mind the inherent fallacies and problems.

Timeframe

As regards the first way of categorization, speed of integration, literature on general integration asserts that speed is of the essence when it comes to integration of two companies, almost to the degree that speed can be perceived to be the most important aspect even. The validity of this has however been challenged by some researchers. (xxxx). For the purpose of illustration, speed can be said to be of three sorts: fast, moderate and slow. Normative literature and the consulting industry's common wisdom suggest that most general integration activities should be completed within the first 100 days following a transaction, and this speed is considered a good balance between fast and enough time for successful integration.

This speed can be used as a point of reference for MACS integration as well. Some issues may need to be exempt since they almost invariably require more time to be integrated, AIS such as ERP for example. The other two values, moderate and slow speed, can be assigned the values of one and two years, which should cover most cases of MACS integration.

Reciprocity

The second way of classification, level of reciprocity, concerns the exchange of configuration and design of MACS elements between an acquiring and an acquired company. Such categorization can indicate interesting circumstances: attitude and power at both the acquiring and acquired companies and differences in MACSs' characteristics and features.

Scope and degree of change

The third way of classification, degree of change, concerns the scope and depth of integration, i.e. how many MACS elements are affected and to what extent.

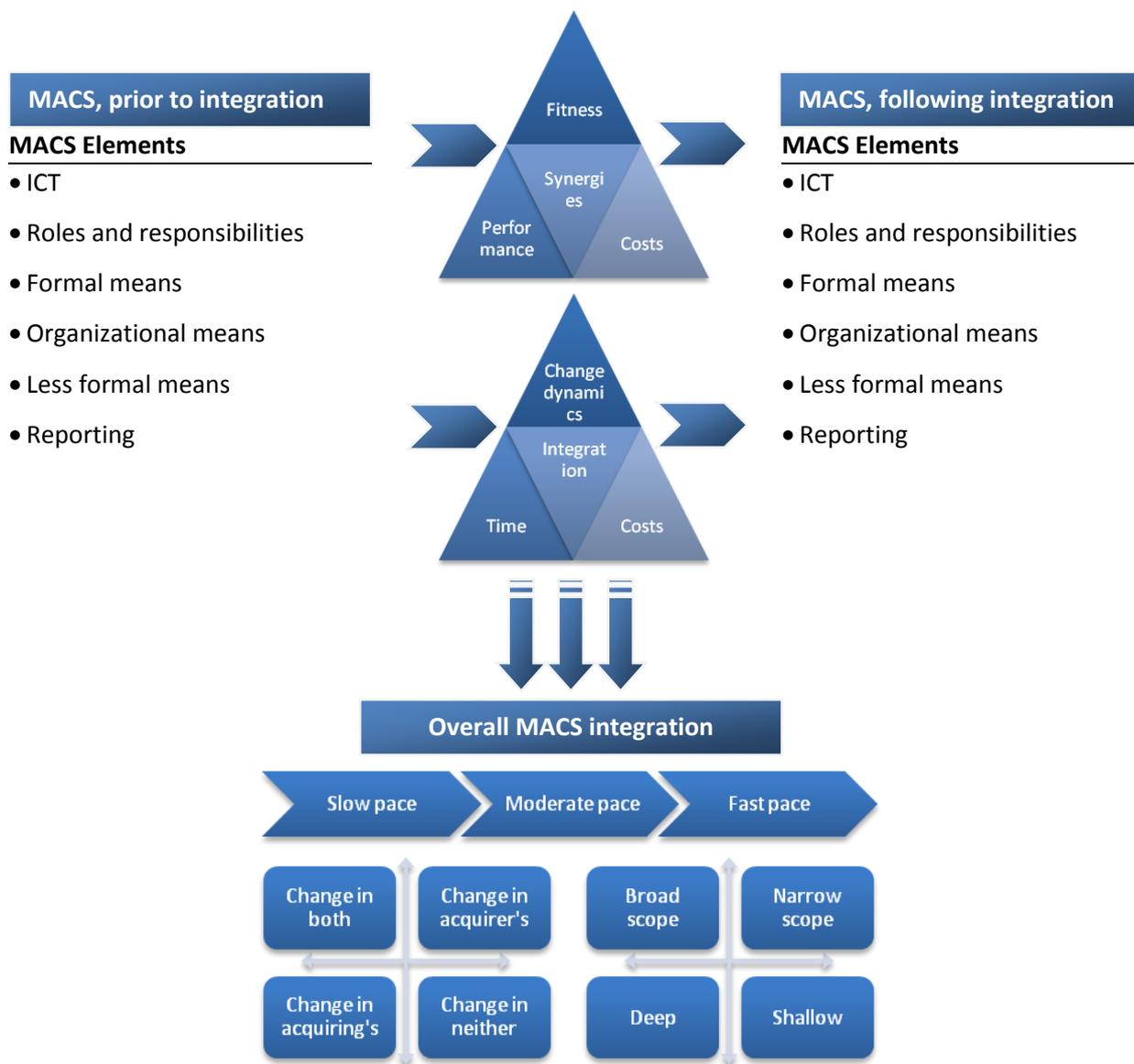


Figure 4

4 Empirics

4.1 Case one – WTY's acquisition of QRS

The first empirical case concerns WTY's integration of QRS following the former's acquisition of the latter in the summer of 2007. Accounts of the integration, i.e. the process and the design of the (new) MACS as well as related events and context were, as previously stated, given by a group financial controller (GFC) and the two group business controllers (GBC1) and (GBC2).

4.1.1 The acquisition and general context

On May 3 2007, WTY issued a press release announcing its intention to acquire the North American manufacturer QRS by a cash offer of SEK 51 billions. This announcement ended months of specula-

tion regarding the future of QRS. The two companies' CEOs asserted that the deal was of benefit to both companies and their shareholders. One and a half month later, on July 18, the transaction was completed after US and Canadian antitrust authorities and QRS-shareholders had approved of the acquisition. Approval of the acquisition was also given by QRS's senior management who owned atypically large amounts of stock.

On completion of the acquisition, the then CEO of QRS stepped down and received praise and acknowledgement by WTY's CEO for his long-time services to QRS and his contribution to the acquisition as well as initial integration efforts. He was replaced by one of his executive vice presidents. The acquired company now became division QRS, the group's third division. It was later renamed WTY North America.

A number of reasons were said to have motivated the acquisition. They were categorized as business logic, industrial logic, value enhancing and synergies; see appendix for the full list. According to BC1, WTY had initially approached QRS with the intent to acquire only one of QRS's two operations. The company had no interest in or experience of the other operation. It was too dissimilar to WTY's business. Although WTY was deemed the more attractive suitor than one of the rival buyers at the time, a Russian producer, QRS's board of directors turned down the proposal since they did not want the company to be broken up. WTY then proposed to buy the other operation as well, to which QRS's board approved of. Unsurprisingly, WTY announced eight months later, on March 14 2008, that the tubular operations were to be divested. Three months later, eleven months after the acquisition, the divestment was completed. The buyer was the previous competing suitor, the Russian company. WTY was very eager to get rid of the operations since the balance sheet was burdened by the considerable large amount of debt borrowed to finance the acquisition. As of the divestment, the head of the North America division retired and stepped down and was replaced by David Britton.

4.1.1.1 Pre-acquisition WTY

WTY was a global leader in the market for value added, high strength products with SEK 31 billion in revenues, strong cash flow and some 8'400 employees. The head office was located in Stockholm, Sweden, and the company was operating out of three differently located production sites in Sweden.

The company was originally incorporated in the 70s by a merger of three state-owned producers. The new group was listed on the Stockholm stock exchange in 1989 and privatized entirely in the 90's. Shortly after its inception, the company's niche products started to become its main products and thus began a journey for the company that took it from a position as a small player on the global market for generic products to a position as a global leader in the much smaller global market for value added, high-strength products.

For some thirty years, since its inception, the company had remained decentralized. In 2006 this was to change however, as a newly appointed CEO assumed control by the time of the annual general meeting and started to plan for new courses of actions. Ambitious new objectives for growth and profitability were set forth. To achieve the objectives, plans for mergers and acquisitions were established as was a new organizational program named One Company; its launch was made public in February 2007. This program was to transforming the group by alignment, centralization and unification; WTY's dispersed organization was to be integrated. By July 2007, when the acquisition of QRS was completed and the general integration was to be formally launched, the 'One Company' integration process was well under way, although far from complete. After the acquisition, the integration of the newly acquired company was to be part of this One Company program, which was expressed in a acquisition mandatory SEC-filing from June 7th.

Prior to this acquisition, WTY had not made any recent acquisitions and the ones it had made were insignificant in terms of size. The integration of WTY's own operations might however have offset the lack of experience in M&A integration. In BC1's opinion, the integration of the Swedish divisions was perhaps harder than the integration of QRS. The One Company initiative was perceived as a huge transformation. The largely independent divisions had had to adjust to being controlled by group management after being able to run largely independently for decades. They were more or less striped of their staff functions as well; finance and accounting, human resources, public rela-

tions, legal and IT was to various degrees located to group management. The corporate office grew from 18-19 people at the end of 2006 (at the onset of the initiative) to 46-47 people in 2009.

4.1.1.2 Pre-acquisition QRS

QRS was a North American steel-manufacturer with annual sales of SEK 28 billion, strong cash flow and some 4'300 employees. The company was formally Canadian as it was registered in Regina in western Canada but its head office was outside of Chicago. The stock was listed on both the New York and Toronto Stock Exchanges. The company was operating out of four steel mills, eleven pipe mills, nine scrap processing centers and nine product-finishing facilities located in 25 geographic locations across the United States and Canada. The product offering comprised a wide range of steel plate and welded energy tubular products.

4.1.2 The general integration process

The general integration can be said to have started in advance of the actual acquisition as WTY on May 7, just four days after unveiling its intentions, held a conference call meeting where the integration process was outlined, guidelines presented and integration teams formed. The teams comprised people from key functions and entities. After this conference call, the two companies' representatives were to start approaching the issues at hand and identifying issues down the road. Naturally, compliance with laws and regulations hindered exchange of sensitive information; marketing people were not even allowed to contact each other due to the sensitivity of their work. Regarding management accounting, the two companies' finance representatives started depicting their systems, mindsets and ways of doing things.

Change in management

Also in advance of the actual transaction was a process where top executives from the two companies decided which positions to be had by which individuals. It was agreed on which executives who were to stay and for how long; monetary incentives were used to secure executives' cooperation in the integration process: to achieve particular integration milestones and to overcome key issues. For example, QRS's then CEO and CFO were to step down and be replaced by a senior manager and head controller.

Launch

A week after the transaction was complete, on July XXXX, the two companies each sent some twenty officials to a weekend long meeting held at a conference center outside of Stockholm. Also attending were seven people from a third party, a US consulting services firm. The intention was for key executives and professionals to socialize and get to know each other and at the same time launch or increase the intensity of the integration process.

The focus of the first day of the conference was on relaxed, social interaction while the remaining two days focused on the two companies and the integration. Throughout the interview, BC referred repeatedly to this conference and its importance for it fostered direct personal relationships, created unity and set a friendly tone for the integration process. One such reference was:

"[...] the most important aspect related to the integration process...has been personal chemistry" and "the most important was this meeting we had".

BC2 said that even though WTY had acquired QRS, the former treated the latter as an equal and with mutual respect in the integration process:

"It was not like we acquired them and came and said: "now, here is the package, deliver tomorrow. Instead, it has been a process which they have been part of and it has made things easier."

BC1 gave an expanded illustration on this topic: “I mean, QRS was actually slightly larger than WTY. So we were [the acquisition was] a little cocky. That was also important, as it, in terms of the integration process. I mean we did not meet with them and said ‘this is what it is like, just do it this way. And if you have problems we replace you’ but instead, it was very much this consensus. And also part of the integration [is that] people know that “I am not disqualified just because I work in North America to get a good job or like to have more exciting work.” that we feel we are “one company”.

During this conference, an overall agenda was established, as were plans for how to approach the overall key issues that were not dealt with immediately. The plan was to integrate most issues in the next 100 days; a number set by Keystones. Afterward, representatives formed smaller integration teams to work on integration issues that concerned the functions they represented. Each team was assigned their own consultant, who was to be with them for the rest of the next 100 days of integration.

The launch conference seems to have been rather exceptional in terms of intensity and productivity. As BC1 put it:

“I would say that we, at this first meeting, very fast came down to: what are the similarities and differences? And what should we embrace, because QRS might have things that may be good for us to adopt.”

4.1.2.1 Integration management and decision-making

The two persons appointed to spearhead the integration were WTY’s strategic planning manager and one of QRS’s vice presidents, head of corporate development. The actual integration work was to be carried out by WTY’s managers throughout the company’s organizational hierarchies, and in conjunction with their counterpart at QRS. The actual integration issues were itemized and explained on certain integration lists. Every month managers and professionals reported integration progress, what had been done, what was to come, what the priorities were and what remained. They also asked to be granted more time, funding, instructions as well as specific people (legal advisors for example) whenever necessary, and to which superiors and the two integration project managers had to respond. Therefore, the communication was of a continuous and two-way nature. The primary formal device for this discussion was the monthly managerial reporting while the informal device was normal, casual conversations at the office. BC1 recounted that he met very little with the two integration project managers, indicating little hands-on supervising of the integration efforts.

As regards the decision-making, BC1 illustrated a back and forth considerate dialogue on issues as they surfaced. These dialogues can be characterized as consensus and compromise seeking. BC2 described the decision-making as:

“[...] to arrive at some consensus on what outcomes were desired. But then we have had to make adjustments as we went along.”

4.1.2.2 Consultants

A consulting firm was as previously stated engaged in the integration process. To illustrate the level of expertise engaged in the integration process, this consulting firm had made six other major engagements during the two years prior to the integration in question. They were recommended by QRS who had previously employed the firm for integrating a small company acquired in 2006. Of note is that the firm assisted not only in the integration process but also in the diligence process beforehand, where they helped identify and quantify key risks and opportunities relating to integrating the two companies. The financial due-diligence was handled by WTY’s and QRS’s advisors.

The assistance can be said to have come in the form of a best practices for integration efforts. According to BC1, they set up and moderated meetings, helped with coordination, listed integration points, provided checklists and templates as well as insistently pressed and pushed the people involved. The consultants that were assigned to the small integration teams depicted made sure was comfortable and worked towards the integration objectives and according to both the overall and

domain-specific agendas. They reminded and followed up on issues and people, booked meetings, contacted individuals and worked by the checklists.

4.1.2.3 Conflicts and politics

As regards integration momentum, BC1 said he believed an integration effort that lacked speed and force would have proved detrimental. He told of one prevailing mood by which WTY was thought to have been overly considerate in their handling of the acquired company: “it is we that have acquired them, not the other way around.” BC2’s view was that if the process had not been enforced forcefully but with a laissez-faire attitude, it would have instilled resistance in the QRS’s organization. He told WTY had already experienced resistance when transforming WTY by the ‘One Company’ initiative.

4.1.2.4 Finance department integration

Included in WTY’s ‘One Company’ initiative was an effort to align and centralize the group’s accounting and finance function. The corporate finance department began to be expanded, partly on behalf of the divisions’ departments. Also, to accomplish the alignment, it was decided in late 2006 to begin writing an accounting manual. This effort progressed slowly however, but as the plans for the acquisition started to crystallize, the pace was increased; it was realized that knowledge management on this matter would be valuable for the integration of QRS and alignment of its finance department.

As previously stated, people within the two companies’ finance functions had begun talking to each other in advance of the acquisition to learn about each others’ systems, way of thinking and of doing things.

After the transformation, the group’s corporate finance department’s sub departments, functions were financial and management accounting, treasury, and business intelligence and business development. Beforehand, financial and management accounting were two departments, with treasury as a third.

Since the company had had a very low employee turnover, the need for explicitly written and structured accounting knowledge had remained low. Together with the decentralized organization this was the reason why financial and management accounting had had to be harmonized through guiding principles, techniques and language in an explicit format. A process aiming at this objective was launched in early 2007 (although at a slow pace) and comprised topics accounting, controlling, planning cycles, reporting, budget, forecast etc.

The corporate headquarters had hitherto been staffed by a very low number of staff members.

4.1.2.5 Concluding remarks on general integration

When asked about the ease by which the integration had been carried out BC1 said he considered it to have been a remarkably smooth ride, and that when assessing the integration one should bear in mind that WTY was not a big, dominant actor. BC2 as well as FC also gave positive assessments. When asked about what mattered most for the harmonization (integration) work BC2 stated an understanding for what was sought-after, desired and anticipated,; what the objectives were.

BC1 recounted that on almost all the integration issues that required attention the way of approaching the issues were characterized by understanding and dialogue; WTY presented their way and listened when QRS presented their way. When integration and harmonization was required, the techniques had to compete on their own merits. In more than a few cases WTY adopted the method of the other party. But when needed, WTY hadn’t been afraid of making clear who had acquired who, and by authority implemented their way; the company was adamant on some issues.

4.1.3 MACS integration and design

On August 1, BC1 first stepped into division QRS’s head office in Chicago. The aim was to get familiar with the newly formed division’s numbers, management accounting and actual operations as well as to help his counterparts in QRS’s finance department adopt the performance reporting to suit group finance needs and preferences.

4.1.3.1 Management reporting

As regards management and mandatory reporting, QRS's reports were overall less detailed and took longer time to generate than those of WTY. It took the latter six or seven days to produce the books while it took the former eleven days. BC1 ascribe the centralization of WTY as the cause for the difference in terms of detail and comprehensiveness in the reports.

Following the acquisition, QRS was instructed to align their reports to WTY's and to generate them faster. WTY did not want to pressure their newly acquired counterpart too hard however. It was decided that the number of days required were to be reduced by one day every quarter until the difference had been removed. Now the statutory reports are produced in six days and management reports in seven days.

Of note is that management reporting generated in the Swedish offices are a bit less nuanced than before the acquisition, according to BC1. The reason is the adoption of the English language as the new official corporate language. This affected all formal communication to headquarters as many of the long-time Swedish employees had to adopt to the new language.

4.1.3.2 ICT

BC2 explains that the overall decision-making concerning division North America was part of the overall integration of the whole WTY. Decision-making on financial accounting systems were prioritized while decision-making on management accounting systems were down-prioritized until later; plans for the acquirement of ERP and business intelligence solutions started to crystallize first in 2009.

Before the acquisition, both companies relied on a myriad of dispersed, legacy software that were operated and maintained at the divisional level with the two finance departments having to rely on Microsoft Office for linking the systems together, for consolidation and for reporting purposes.

Soon after the acquisition, an IT-council was set up to assess the configurations of IT-systems in both companies and simultaneously look for new group-wide IT-solutions. The priority was a solution for consolidation and reporting since, as FC explained, the then existing solution was considered inadequate; it was essentially a reporting application for Microsoft Excel. The implementation of the new system was initiated in the fall of 2007 and was completed in December the same year. Initially there were no plans to acquire any Enterprise Resource Planning systems, so this system had to run parallel to the dispersed legacy systems.

Before this new system was fully functional, the two companies' finance departments had to continue to use the Excel-application. This required manual input of QRS's numbers, which were sent via fax and e-mail. QRS was provided spreadsheet templates to use for the financial statements. When the tubular operations were divested in 2008 the ownership to most of QRS's software were included in the deal, but it was prearranged that the company was allowed to continue to use them, which allowed time for implementing new solutions.

4.1.3.3 Roles, responsibilities, tasks and activities

No noteworthy changes took place.

4.1.3.4 Formal means

Product calculation differed both within WTY and as compared to QRS and these differences remain to this date. GBC2 attributed this difference to the different production configurations, AIS and operational information systems but added that a uniform product calculation approach would be implemented later, further down the road; it was neither prioritized or on the agenda.

As BC1 remarked, finance people from both sides, when it comes to the integration process, largely preoccupied with common definitions and the finance and accounting handbook was the primary way of describing, explaining and instructing definitions, classifications and practices.

The One Company initiative also brought with it changes to WTY as concerns accounting classification and valuation practices. The intent was to make these practices much more congruent throughout the group. This effort progressed rather slowly and the intention was not to completely harmonize the practices since the company had multiple operations and the practices needed to be tailored to the specific needs of the related operations. Naturally, QRS's accounting classification and valuation practices were different to those of WTY's practices. Differences in the classification of fixed costs and definition of niche products constituted two issues where consensus and understanding were most difficult to reach.

At WTY, the two divisions, where the primary production took place, charged the processing and the distributing companies but this transfer pricing took place within Sweden. Therefore, no concern for taxation was needed. Nevertheless, the arms-lengths principle was used to determine the transfer prices. At QRS, sales were only to customers within USA and Canada and the transfer pricing was

One important difference between the two companies, as seen to capital budgeting, was that QRS's cost of capital employed was based on statistically determined risk while WTY's was not. The approach employed by the former was later adapted by the latter, and by all operations.

The effort to integrate and align QRS's practices with that of WTY's was described as a back and forth exchange. The issues have been engaged and resolved when they arose; the majority, however, were dealt with during the integration launch conference.

4.1.3.5 Organizational means

Organizational structure

Prior to the acquisition, WTY's operations were structured into four divisions: Division Sheet with two production sites; Division Heavy Plate with one production site; Plannja, a process operations subsidiary with several processing facilities spread out in northern Europe; and Tibnor, a trade and distribution subsidiary. The sales organization that served all four divisions comprised sales offices in close to 40 countries. The decentralized group was primarily governed through the board of directors in the subsidiaries.

QRS on the other hand was not structured into separate divisions but operated and reported as a single segment while resembling a functional structure. Immediately after the acquisition the company was organized as third division in the group.

Compensation

At WTY, all permanent employees participated in a profit-sharing scheme. In 2006, the board of directors decided the profit-shares were to be disbursed immediately after publications of annual results. The intention was to make the linkage between the company's results and the payment clearer as compared to the previous arrangement, when the profit shares were managed in funds and disbursed first after three years. Due to exceptional results for the same year, the profit-sharing scheme reached the limits, where the compensation amounted to 14 of sales. The compensation to senior executives and middle managers adhered to typical configurations.

QRS did not have a profit-sharing scheme for its employees. Another difference was that variable salaries were used at QRS thoroughly in the production. Compensation to senior executives and middle managers did not differ significantly from the compensation scheme at WTY.

The same profit-sharing scheme was not implemented in WTY North America until 2009 and the variable salaries in the production became more common in the Swedish production.

4.1.3.6 Less formal means

Culture

From the launch of the One Company initiative, WTY's divisions had been infused with shared values as means of management control, slowly starting to create somewhat of a shared culture.

In the meantime, QRS made no active and calculated use of their organizational culture as a management tool.

4.1.3.7 Concluding remarks on MACS integration

When looking back, BC2 with a reflective tone could not recall any major issues as concerns the integration, both seen to general integration and MACS integration. Some management accounting matters had not required integration and some were not prioritized. One overall problem inherent in the integration and that did matter was the lack of congruent, unified operational data which would have enabled tracking and benchmarking the operational performance of the North American division.

4.2 Case two – MNK’s acquisition of LJP

The second empirical case concerns MNK’s integration of LJP following the former’s acquisition of the latter during the spring of 2007. Accounts of the integration, the process and the design of the new MACS, as well as related events and context were, as previously stated, given by MNK’s corporate business controller, BC1.

4.2.1 The acquisition and context

MNK, the Swedish producer of outdoor power products, first announced its intentions to buy LJP, the German producer of irrigation products, in a press release issued on December 21, 2006. The seller was a private equity firm who had bought the company four years earlier. The sum approximated SEK 6.5 billion.

The primary reason for the acquisition was that LJP’s products were complementary to that of MNK’s consumer products. A secondary reason was the negative correlation between product ranges. LJP’s products would constitute a precious hedge to a company whose sales were not only very seasonal but also at mercy of the weather. Furthermore, LJP’s strong brand, innovative products, and first-rate customer-service were highly praised in the press release. Synergies were expected in sales, R&D, administration, purchasing and manufacturing.

On March 20, 2007, a second press release was issued stating that the final agreement on the acquisition had been signed.

4.2.1.1 Pre-acquisition MNK

MNK was the global leader in outdoor power products with annual sales of SEK 29.4 billion, strong cash flow and some 11’400 employees. Its head office was located in Stockholm, Sweden, and the company was listed on the NASDAQ OMX Stockholm exchange since 2006 when it was divested by its former owner, a Swedish conglomerate. The company saw itself as having a strong set of brands, an efficient and global distribution network, broad product portfolios as well as a well-organized supply chain.

Prior to the acquisition in focus, MNK had made several other although considerably smaller acquisitions. The in 2006 newly gained independence marked the beginning of a higher pace, only in 2007 the company made five acquisitions, including LJP. BC1 concurred with the supposition of a preference for small and medium-sized acquisitions. The intention was to lead the restructuring and consolidation of the industry. When asked about integration experience BC1 confirmed that the company had accumulated integration knowledge. Whether this knowledge had been made explicit, codified and structured and how it was engaged in integration remains unknown.

Initiatives for acquisitions had always come from the sector managers. They identified potential targets and forwarded propositions to corporate finance who conducted further analysis and decided if to proceed.

4.2.1.2 Pre-acquisition LJP

LJP was the European market leader for consumer irrigation products. It also had some additional, related product ranges. The company had sales of SEK 3.8 billion, strong cash flow and some 2’900

employees. Their head office was in the city of Ulm, southern Germany. At the time of the sale, the company had been owned by a private equity for about four years.

The sales came predominantly from the European market where Germany and neighboring countries generated about half of the sales. Of the product categories, the irrigation products comprised two thirds of all sales.

4.2.2 The general integration process

Even though the acquisition was completed on April 1 2007, it was not until the end of the summer that the integration process could finally be launched with full force as the two management teams assigned responsibility for the integration had been formed and had begun their efforts.

4.2.2.1 Integration management and decision-making

The two project teams were an integration oversight committee and an integration management team. The oversight committee had only three members: MNK's CFO (to whom BC1 reported), LJP's CEO and one of MNK's sector managers. This integration oversight committee assigned the integration management team with directives, authority and responsibility and obligated weekly progress reports in return.

The integration management team in turn consisted of eight representatives from the two companies and from different functions. BC1 was assigned to the project team to assist the other managers in the general integration but not, as he recalled, to integrate the two companies' management accounting. Instead, it was up to BC1 manage the MACS integration, although by means of using LJP's management accounting function. There was no business controller from LJP on the team. The integration management team was headed by LJP's head of business development. Even though the selection was appropriate owing to individual characteristics, BC1 revealed that:

"but what you can tell from this is that this [the general integration] was to be wholly run by one person that represented the one side that wasn't familiar with "the MNK way" but nevertheless was to integrate LJP into MNK; so some problems ensued"

Reflecting on the choice, BC1 said he believed the intention was to have persons familiar with LJP and its operations in charge to smooth and quick start the integration process. Another reason was to as fast as possible reduce feelings of discontent among LJP's employees, to hinder feelings and mentality of 'it is us against them' from developing and spreading. The downside was that a person not familiar with MNK, its organization, mentality and way of doing this was to manage the integration. BC1 stated:

"it has been progressing slowly. It was a bald move... more hopes and expectations than what later could be realized."

When asked about the how the integration management team worked and what its decision-making looked like BC1 described the acquisition process as structured but the general integration process as semi-structured. This was because many integration issues became noticeable first subsequently, as the process progressed. The team approached these issues pragmatically and as they surfaced. The issues were of such nature that they often required the attention of more than one team member and, as BC1 illustrated by some examples, necessitated cross-departmental cooperation and coordination. When possible, and it often was, the issues were dealt with immediately when they surfaced and by only the team members whom the issues primarily concerned, instead of requiring attention during meeting sessions. One by one was the organizational units dealt with by the integration management team who stipulated instructions that corporate staff and operational entities implemented.

When asked if MNK had accumulated integration expertise BC1 said that this was definitely so. Explicit integration knowledge existed in the form of integration checklists for example. The actual

integration implementation and the details, he added, were assigned to those managers who the integration concerned, often sector and product category managers, and they were allowed to plan and implement changes pretty much as they saw fit. These managers for example evaluated product offering, lower level segmentation, localization and production.

“It is sector managers and these product category managers that lead this effort of aligning everything related to aspects of ‘go-to-market’, product offering and harmonization of overlapping products”

The integration management team met regularly and had weekly phone conferences. The Initial focus was on LJP’s biggest markets, i.e. Germany, Austria, Switzerland and France. They itemized key issues and changes concerning the two companies’ operations, what should be integrated and how to proceed. Then they implemented the changes one country at a time.

Last of all, MNK’s board of directors required integration reports one and two years after the acquisition to follow up on the integration efforts, to see what differed and matched pre-acquisition assessments. This process put considerable pressure on the sector business controllers and managers who had to answer for what they had and had not accomplished. By the spring of 2009, the integration management team declared integration process as formally complete.

4.2.2.2 Consultants

A German renowned consultancy firm based in Munich was asked to assist with the general integration. Specifically, one consultant helped to structure the actual integration process; a second consultant aided in the reorganization of the companies’ two overlapping European sales organizations, a third consultant was engaged in modifying and redesigning business intelligence interface, management reports and presentations of LJP’s operations and performance.

4.2.2.3 Conflicts and politics

Due to successful brand development and strong organizational identity, many of LJP’s managers and employees believed their brand and company was superior to MNK and its products. Many of them were therefore not too happy about the prospect of having to have their organization and products taken over by and integrated into MNK. In addition, many LJP managers feared the risk of having their positions and responsibilities removed or diminished by the looming reorganization. Yet skirmishes were few and did not reach outside the local national or regional responsibility centers. However, MNK hesitated to extend its existing organizational structure onto LJP. The reason was that a new overall, group-wide structure was believed to be necessary, and therefore LJP was in some areas allowed to continue to run the way it had used to; those units that escaped integration were in all likelihood going to become integrated in by this larger reorganization.

4.2.2.4 Finance department integration

LJP’s finance and accounting department was instructed to align their practices with that of MNK as soon as the company had been acquired. The finance and accounting function remained while its treasury function was taken over by group headquarters.

When asked to comment on the integration of the two organizations finance departments, BC1 said that naturally there had been differences. These differences were among other factors ascribed to the fact that LJP, unlike MNK, had not been part of or acquired another company. MNK’s finance department therefore had to rely on a multitude of AIS for example. The differences was worked out as LJP’s department was aligned to and partially absorbed (treasury) by the group finance department.

Period-end performance reviews in both companies were rather similar. Monthly and quarterly reviews were held to evaluate results, update forecasts and plans, and discuss strategic matters. In addition, weekly meetings were held by conference calls.

From day one MNK told LJP to use the corporate manual for financial and management reporting and offered them their assistance if needed. The accounting manual stipulated how to report, definitions and timetables. To be able to consolidate and produce comparable financial statements LJP was asked to use reporting templates.

Both companies' management accounting functions had management accountants in 'dotted-line' hierarchies, i.e. management accountants were positioned close to and reported to segment managers.

4.2.2.5 Concluding remarks on general integration

When asked, BC1 agreed that management accounting had been given more prominence and been used more extensively in LJP following the acquisition. The reason was to thoroughly make sense of and get to grips with the operations and performance. Another general remark worth mentioning was that the private equity firm had pressured LJP into adopting a narrow focus, on the margins and a few financial performance indicators. MNK, on the other hand, employed a broad focus, on a broad array of financial and non-financial measures and indicators.

4.2.3 MACS integration and design

BC1 disagreed with the notion that he had been in charge of MACS integration. He described that his role had been to facilitate and aid general integration with means of management accounting. Specifically, it concerned decision-making on the integration of the two companies' operations, primarily the European downstream operations.

4.2.3.1 ICT

MNK's AIS was rather complex and diverse, comprising various fragmented and legacy applications. Unwilling to make large IT-investments the company had maintained wide arrays of dispersed ledger and other AIS applications that had ensued from the divestment from Electrolux as well as from and the many acquisitions. One system that was shared extensively, however, was an old system for order handling, invoices and inventories that MNK continued after being divested from its former parent.

LJP's AIS comprised an SAP, an ERP-solution; although its modules varied in terms of versions. The company had not made any acquisitions so it was not laden with fragmented systems. The systems were continued to run after the acquisition, further adding to the group's disparate ICT-structure.

4.2.3.2 Function, roles, responsibilities, tasks and activities

Management accountants at the two companies' were situated at each operative unit, at production facilities and sales offices. They had straight-line relationships to their sales managers and a dotted-line relationship to superiors in the management accounting function, the corporate business controller, BC1, at MNK and the CFO of LJP; the latter company did not have a corporate business controller as such.

BC1 asserted that there were no real differences between the two companies as regards roles and responsibilities their management accountants. Any differences that did exist were merely attributable to individuals' characteristics and experience, and did not originate from differences in terms of structural configurations.

MNK's management accountants were organized horizontally, not vertically. That is, they had straight-line relationships to their business units and only dotted-line relationships to BC1, the head business controller. Therefore, even if there was no formal function of management accounting an informal function can be perceived to have existed.

4.2.3.3 Formal means

As regards the formal means of management accounting, the two companies had similar configurations, which meant no major integration and alignment were necessary. The integration that was necessary was implemented by directives to adhere to the accounting manual and direct hands-on instruction and outcome monitoring.

As concerns product calculation, the two companies, prior to the acquisition, operated similar product calculation schemes and which they still do. Full cost accounting with standard costs and deviation analysis before the acquisition and still do.

As to short-term planning, both companies maintained rolling budgets; that is, they made quarterly updates. The only thing LJP had to adapt was MNK's group-wide reporting 'package' to produce the financial statements. Budgeted financial statements for the ensuing twelve months were due one week after the outcome financial statements for current had been made.

Formal and explicated internal pricing practices were used in both companies. By the time of the acquisition, MNK had just made their internal pricing congruent and more refined throughout the group while this was long established at LJP. First in 2010 were LJP's internal pricing model replaced with that of MNK's model.

Neither company had implemented formal scorecards but non-financial performance measures were nonetheless, needless to say, very important.

Capital budgeting principles were similar in both companies with high degrees of centralization. A special MS Office application was used for modeling capital budgeting. This application was distributed to LJP's organization where it came to be widely used, although in a somewhat poorly manner. Training came in the form of the accounting manual and hands on supervision.

In terms of long-terms plans, MNK had a formal scheme for regularly making three-year plans. LJP on the other hand did not have regular long-term planning practice. Instead, it was more ad-hoc, covering whatever was requested by the owners, the private equity firm. Moreover, it was not as thorough or forward-looking as that of MNK. Now however, MNK's long-term planning includes LJP's operations and is conducted in cooperation with group finance.

4.2.3.4 Organizational means

By the end of 2006, MNK's sales organization was structured in accordance with two layers of segmentation. At the first layer, the segmentation was by business area (customer type and product): consumer products and professional products; sixty percent of sales originated from the former business area. There were five sectors, two sectors of consumer products and three sectors of professional products. By the secondary segmentation layer, the business areas were segmented by geographical markets, namely North America, Europe and 'Rest-of-the-world'.

LJP's sales organization was at the same time geographically segmented, namely by countries and regions. The company had sales subsidiaries in eighteen European countries and some five more in major markets on other continents; a US-subsiidiary had been divested in 2004.

The acquisition had essentially meant MNK had acquired another European sales organization, a highly overlapping one too when comparing it to the one already in place. Numerous sales offices served the same regional and national markets. The potential synergies from integration the parallel sales organizations were considerate, and this was the main concern for the general integration project team, which was described earlier.

At the end of 2007, MNK had started to incorporate LJP into their own organization, although the pace by which this effort progressed was rather slow. In 2008's annual report the CEO declared LJP to have been fully integrated with MNK's sales organization. This was partly at odds with the BC1's portrayal as some units remained to be integrated:

"...because we have the problem that the way the sector organization works today it is in some areas geographic-centered and we want it to be product-centered. And the geographic structure induces deadlocks in the form of 'I have my factories', 'I want to

protect my volume', 'I don't want to give anything away' and others simultaneously want to increase their production and claims that 'I have the biggest production facilities, and I can produce at lower costs than what you can'. So as long as there are different types of [organizational structures] we will not be able to get out of this [stalemate]"

An explanation why MNK did not push the integration efforts more forcefully was uncertainty concerning the group structure; it was perceived that MNK had to reorganize itself, adapting a different organizational structure. Group management wanted to await the scheduled new structure. The new structure was crafted and implemented first in 2009 however but the integration of LJP's remaining units had been resolved by then.

In 2006, MNK's supply chain included fourteen major plants of which five were in North America, seven in Europe and one each in South America and China. LJP had at the same time, as previously stated, two production facilities, one in Germany (metal processing) and one in Czech Republic (plastics processing). Both companies had their purchasing functions decentralized and situated at the production facilities yet coordination was maintained to a high degree in both companies. There were no immediate reconfigurations of the production sites after the acquisition; LJP's both plants remained. The logistics were integrated however, and this effort took more than one and a half year to complete as the reduction in the number of warehouses progressed slowly.

4.2.3.5 Less formal means

MNK's corporate culture was informal, non-bureaucratic and comprised a decentralized mentality. The company wanted to steer the corporate culture so as to cultivate aspirations of and focus on cost-efficiency, swift decision-making, adhere to high environmental and ethical principles, and products and customer care.

LJP's culture featured desirable characteristics that aligned the behavior and values of its employees with what was desired, as seen to vision, objectives and strategy even though its culture was not engaged as a means of control, or at least not as explicitly as and to the same extent as MNK did. In addition to the company's mentality of centralization, LJP's corporate culture was closely intertwined with its corporate brand with a strong focus on the company's products and the quality, innovation and functionality inherent therein. Moreover, the four-year ownership by a private equity firm instilled the culture with more focus on financial performance.

5 Analysis

As previously stated, the cases are analyzed one by one, against each other and against the findings of earlier studies on MACS integration. As methodological limitations allowed for only abstract representations of the general integration processes and the MACS integration processes in the two cases, it is on this abstract level the analysis will be conducted.

5.1 Within-case analysis

The within-case analysis concerns analysis of each case individually.

5.1.1 Case 1 – WTY and QRS

The first case, that of WTY's acquisition and subsequent integration of QRS, can foremost be described as a geographic extension acquisition. After having taken into consideration the account and illustrations given by WTY's three group controllers, the preliminary overall impression is that of a very smooth and conflict-free integration, both as seen to the general integration as well as seen to the MACS integration. The processes were largely, if not altogether, free of extensive difficulties and problems. Taking into account that size is a significantly deterministic factor on integration success, the feature is impressive as the acquisition involved integration of two almost comprised two equally

large companies, as seen to the sales but a little less so . When seen from the number of employees it is still notable although not as impressive; WTY was twice as big as QRS. Nevertheless, the feature is still impressive.

Integration experience

While WTY, the acquiring company, did not possess experience of general integration or MACS integration, QRS, the acquired company, did possess such integration experience and of both types as well. Since they themselves had acquired and begun integrating a company just six months earlier, they were familiar with the activities, events and processes. Moreover, they were familiar with the consulting firm's best practices, which had been accumulated from the firm's numerous integration processes. As this firm was once again engaged, this time by WTY, it is reasonable to believe that their experience contributed to the success of the integration processes. The One Company initiative may have offset WTY's lack of past integration experience however.

Integration performance

Both integration processes seems to have been strongly monitored, which, by the interviewee's accounts, seems to have been due to the consulting firm's resolute and unwavering tracking and follow-up on progress. Those involved in the two processes were constantly pressured in a friendly yet steadfast manner to keep going and keep resolving issues. The closely held meetings, via conference calls instilled even more pressure as everyone was to present what had been accomplished and what remained.

Moreover, both processes can be characterized as having progressed swiftly. Many issues were resolved at the first meeting and many more during the following months. As corporate staff at both parties was encouraged to contact their counterpart, i.e. the individuals that had similar positions as themselves at the counterpart got to know each other and exchange ideas and configuration information, i.e. how things were setup but not the actual facts of business performance,

Both processes were initiated very early as the two parties began talking to each other before the acquisition. This may also have geared up those individuals involved for what was to come, instilling the two organizations with an 'integration mindset'.

Conflicts

The fact that managers in ISCP0 were given monetary incentives secured their buy-in into the integration objectives set forth as well as their participation as long as needed. Here, the MACS element compensation was used to support the general integration process, and presumably quite successfully too for that matter. Also, WTY seems to have managed the balancing act of treating the acquired company with respect, i.e. as partner they listened to, while at the same time reminded them who was in charge. This balancing act presumably kept conflicts to a minimum. This feature is considerable: WTY split QRS in half and divested one of the two operations after initially promising to acquire the whole company.

Integration management

As the general integration process was initiated beforehand, individuals were encouraged to contact each other and the personal relationships may probably have been important as they in effect decentralized the integration efforts: individuals worked out issues directly with each other rather than through superiors and formal coordination events such as conference calls.

The integration conference held almost immediately after the acquisition was complete should be ascribed as a key contributor to the success of both the general integration process and the MACS integration process. Corporate management and staff met in a friendly and pleasant milieu, which according to the interviewees set the tone for the remaining integration efforts. The conference was not only a cozy social event however as many integration issues were identified, listed, delegated and immediately worked out as well.

The later, continuous integration efforts were managed with force with the help of the consulting firm. The management of the integration processes seems to have been incorporated into the normal, routine management processes in the form of monthly management reviews and not hands-on management, especially not by the integration managers as the interviewees seldom met with them.

Decision-making

The decision-making that took place can largely be said to have resembled the rational decision-making model. Both objectives of the integration processes and the methods to realize them were identified and agreed upon by consensus. The interviewees described the integration processes to have been largely free of disagreement. Among the factors that limit rational decision-making, and were listed in the theory section, time limitation and incomplete information can be said to have been in force to some minor degrees. The conference was only for the weekend, there was not time to discover and decide on all issues and the two companies' ICT produced dissimilar operational as well as accounting information, which made it difficult for the parties to grasp their counterpart's business. Because of this, issues surfaced and could be sorted out at later stages in the integration processes and as the ICT-systems produced information graspable to both parties.

Departmental integration

The integration of WTY's finance and accounting function, which was caused by the One Company initiative, most likely had considerable impact on the subsequent integration that of QRS's finance department. One has to bear in mind that the group did not even have an accounting manual before the initiative was launched; the department's domain knowledge existed only in the form of the individuals' tacit know-how. Due to methodological limitations, the empirical enquiry did not take into account details enabling a comparison to figure XXXX, the table by (Tarasovich et al., 2008). However, in principle one can say that the departmental integration in this case resembles the one proposed by the model.

5.1.1.1 MACS integration

Integration of acquiring and acquired companies' MACSs and element therein are the core of this study.

ICT

Integration of the ICT in the two companies' MACS, namely AIS and BI, was not a priority: a group wide comprehensive AIS was not planned for at all and plans for implementing a BI crystallized first in the spring of 2009. There was one exception however: the consolidation and reporting system that was deemed necessary and therefore implemented during the winter of 2007 and 2008.

Roles, responsibilities, tasks and activities

The interviews did not account for any changes in the roles of the management accountants, the agents of MACS. Two possible sources for changes in this MACS element could be differences in management's preferences as to management accounting and differences in AIS and BI but no transforming forces crystallized.

Formal means

The product calculation practices differed not only between WTY and QRS but between the former company's units as well, and these differences remained long after the acquisition. The differences were attributed to differences in configurations of operations and were perceived to continue to remain. Engaging the design category within the theoretical framework, some inferences can presumably be made. The attributes of fitness and costs, both direct and indirect, are likely essential as the means is optimized for the activity that it is to support. The attribute synergies are not a factor

when considering integrating WTY's and QRS's product calculation as there are no sources for synergies. As no integration was undertaken, the concept of MACS integration process is not applied.

The accounting valuation and classification practices differed substantially between the two companies but were essential to integrate as to harmonize the accounting language between the two parties. This need can be said to be of the attribute performance, as it also comprises properties of MACS elements. The attributes of fitness, costs and synergies are of no significance here. As concerns the implementation attributes, the timeframe was rather limited for some but not all definition, classifications and valuation changes; some differences remained and still do, and this applies for the Swedish units as well. Within the attribute of change-dynamics were only some small disagreements but no real difficulty or obstruction however. As to the cost attribute, the costs to implement the changes were largely in the form of time spent on reaching agreement.

Organizational means

As concerns organizational structure, there were no challenges. QRS assign status as a division instead of an independent entity. The divestment of the second operations was largely free of difficulties and problems by the accounts of the interviewees however peculiar it may be perceived.

As concerns compensation, there were no real differences as seen to management compensation while there was a large difference as seen to employee compensation. At WTY, the employees enjoyed a profit sharing scheme while this was not the case at QRS. This scheme was not implemented in QRS's organization until 2009 however and the reason for this remains unknown.

Less formal means

Regarding less formal means, after taking into account the illustrations conveyed by the interviewees, the impression is that WTY engaged its culture in an active manner while QRS did not. This difference can largely be ascribed to WTY's need to revolutionize its culture, transforming the company from one with a decentralized mindset to a company with a centralization mindset; the transformation was part of the One Company initiative. This seems to have been WTY's first attempt, and a successful one for that matter, to engage its culture as a control means. QRS, however, was no in need of any cultural transformation nor did it, apparently, engage its culture as a control means for any other reason, or at least not extensively.

For this reason, there appears to have been a difference between how the two companies' used culture means as management control devices, or MACS elements. This difference was not a long-lasting one however, as WTY begun engaging this control means just six months earlier.

5.1.2 Case 2 – MNK and LJP

After taking into considering the portrayal of the integration processes given by BC1, the preliminary overall impression is that of a mostly smooth integration, both as seen to the general as well as the MACS integration.

The acquisition

The second case, that of MNK's acquisition and subsequent integration of LJP, can foremost be described as a product extension acquisition as LJP's products were considered to be a great complement to and be related with MNK's own consumer goods products, and to which the latter LJP's products offered a perfectly correlated hedge, i.e. against weather.

Integration experience

BC1's view was that MNK definitely possessed integration experience prior to embarking on the integration of LJP; several integration efforts had been carried out, and they had been successful so as well. These integration efforts had been managed by those sector managers who incited the acquisitions and whose organizations were affected, and these sector managers were allowed to go about the integration efforts pretty much as they saw fit. The experience had been structured as integration checklist had for example been produced. However, the earlier integration undertakings had

only involved small acquisitions and only two consultants from the consulting firm were engaged in the integration process, one with integrating the two companies' European sales organizations and the other one in producing management reports. One is inclined to believe that inadequate experience was made available but it is difficult to determine with certainty however.

Integration performance

The general integration process was initiated rather late, at the end of the summer of 2007 that is. This was several months after the integration had been completed and more than half a year after the deal was first announced in December 2006. The delay seems to originate from a late upstart of the two management teams, namely the oversight committee and the integration management team.

In addition, most of the organizational restructuring had been accomplished by the end of 2008 but some strongholds remained. The primary reason seems to have been the awaiting for the new European sales structure, resembling the notion of goal ambiguity.

Conflicts

LJP's organizational members, by BC1's account, perceived themselves as having a superior brand as compared to several of those of MNK and felt strongly for their company and identity. This in all likelihood constituted a real source for discontent as concerned the acquisition and integration. Moreover, some managers felt that their positions and status were at risk by the looming integration and therefore obstructed and delayed the changes. On the other side, the appointment of LJP's CEO to head the integration management team presumably, as BC1 argued, neutralized feelings of discontent to some extent. Furthermore, management buy-in could have been secured by offering monetary incentives.

Integration management

Integration performance monitoring seems to have been rather tight as the oversight committee required weekly integration progress reports and the integration management team met regularly and held weekly conference calls. Management of the general integration efforts was evidently impeded by the fact that the manager in charge was LJP's former CEO who was not familiar with MNK or its means of management control. Therefore, extending the acquiring company's practices and configurations onto the acquired company was, as BC1 described, did not come about swiftly or smoothly.

BC1 and fellow team members on the integration management team worked diligently on the design and implementation of the new organizational structure for the two sectors' sales organizations.

Decision-making

The decision-making did not bear resemblance to any model in particular. Decisions were made as the integration process went along. BC1 described it as semi-structured. Many issues did not become visible first until later.

Departmental integration

The empirical enquiry did not point to any major difficulties or problems as regards integration of the two companies' finance and accounting departments. The effort started soon after the acquisition, ahead of integration of the operations. The primary means was in the form of the accounting manual and by manually checking the produced information output and giving manual instructions where necessary. The fact that both companies used IFRS for financial reporting made things easy.

5.1.2.1 MACS integration

BC1's perception was that he been primarily concerned with the general integration and for which he had used management accounting means, but that he had not integrated LJP's MACS with that of

MNK per se. However, since he was the top management accountant to whom all other management accountant reported, he inevitably, from a theoretical perspective, must have overseen MACS integration, perhaps informally and perhaps partially. This is a lasting impression. In effect, the head management accountant of a large MNE did not, as it appears, think in terms of management accounting but rather how to use management accounting means to produce results when it came to integrating an acquired company.

ICT

As to the two companies' AIS and BI, these systems were disparate and of a legacy nature. One can argue that they presumably did not offer superior performance but that the systems were deemed adequate to be continued. Moreover, as the systems were old and little integrated, it is reasonable to say they entailed low costs. To fully integrate the two companies' solution would probably be difficult unless a completely new system would have had been acquired and implemented.

Roles, responsibilities, tasks and activities

There were no changes as regards the roles, responsibilities, tasks and activities of LJP's management accountants. The only change was in the segmentation hierarchy where the new primary segmentation was product category while country and region segmentation became secondary.

Formal means

The empirical enquiry showed strong similarities between the two companies' formal management accounting means. This may perhaps have allowed BC1 to concern himself mainly with the general integration. The acquired company produced similar information or in other words 'spoke the same language'. Therefore, instead of having to worry about aligning the formal means, or transforming the language, BC1 was free to use management accounting to aid in the general integration.

For example, the two companies operated similar schemes of product calculation with full cost accounting, standard costing and deviation analysis. Rolling budgets were in practice at both companies and no systems of formal scorecards were in practice at any of the two companies.

The differences that did indeed exist were not of much significance or were not intercepted by the empirical enquiry.

Organizational means

The integration of the LJP's down-stream activities with that of MNK's European consumer goods sector saw some difficulties and delays. Overall, the integration worked well but some country managers resisted more or less successfully. As previously stated, compensation may have aligned their goals with those of MNK.

Less formal means

The two companies' cultures were different by BC1's account, and the difference was in the form of difference organizational structure and market segmentation. The cultural difference presumably originated from a difference in self-conception: LJP's brand was highly regarded and this instilled the organization and its members with confidence and perhaps some narcissism.

5.2 Cross-case analysis

In the case of WTY and QRS, there were essentially three integration processes and which were running parallel to each other: MACS integration took place within general integration, which in turn, at least partially, took place within the One Company initiative. This was unlike the case of MNK and LJP where no similar corporate restructuring initiative took place at the time.

Integration experience

While an entire team of consultants was engaged in assisting the integration in case one, only one consultant was engaged to assist with the integration in case two; the second consultant in case two was only concerned with designing and producing management reports. Moreover, there was no sign that the consultant in case two employed a similarly relentless methodology as the consultants in case one. Therefore, one is inclined to believe vastly more integration experience was utilized in case one than in case two.

Size factor and integration ease

The first case was of a relatively large acquisition as compared to the second case. The relations in the first case was SEK 31 to 28 billion (111%) in sales and 8'400 to 4'300 (195%) in employees while the relations in the second case was SEK 29 to 4 billion (725%) in sales and 11'400 to 2'900 (393%) in number of employees. This is important to bear in mind because the common wisdom is that size proportions foretell the ease by which integration efforts are carried out. The stated ratios clearly show that the first acquisition was more of an equal as compared to the second acquisition. Numerous factors have bearing on the success of integration attempt but seen to this size factor, the first case should have inherently have entailed more challenges. The conveyed accounts of what happened in the two cases suggest otherwise however.

The agents of MACS

One difference between the two cases can be found in how the top management accountants engaged themselves in the integration processes. While the top management accountants in the first case were primarily preoccupied with MACS integration, the management accountant in the second case was primarily preoccupied with the general integration. This difference may have been due to pre-acquisition differences and similarities in the MACSs configurations. However, other causes were likely in force as well. For example, there may have been differences as regards the perceived need to integrate and align MACSs and the integration process may have been carried out at different levels: in case one by the top management accountants and in case two by lower level managements.

MACS integration

Both cases saw changes in the acquired companies' MACSs but not in all MACS elements. ICT in the form of AIS and BI was not integrated at all, except for consolidation and financial reporting software, which were integrated in both cases. Neither case saw changes in the roles, activities, tasks and responsibilities of management accountants. The elements of formal means did not see that many changes as well. This probably due to the fact that the empirical enquiry only examined abstract, higher level management accounting and control practices and philosophies but at the level in question these practices and philosophies (except in the case of some MACS elements as for example product calculation) do normally not differ significantly among companies. The MACS elements of organizational means accounted for significant changes only in case two where the integration was partially problematic. Lastly, the MACS element of informal means, namely culture as a means of management accounting, were more intentionally employed at both acquiring companies but less so by the acquired companies. In case one, it seems that WTY's culture was extended onto QRS while in case two it seems that MNK's culture was not extended onto LJP.

5.2.1 Classifications

From the within-case and cross-case analyses, one can argue that case one involved a very swift integration while case two involved a rather slow integration. Some reciprocity occurred in case one as the acquiring company assumed some management accounting practices employed in the acquired company while no such reciprocity occurred in case two

As regards the scope and degree of integration, case one saw a moderately narrow scope and the degree of integration was limited. Integration of ICT was limited to some applications; integration of roles, activities, tasks and responsibilities was not needed as there were no differences; some formal means were made congruent; no integration of organizational means was needed; and lastly, less formal means, i.e. culture, did take place to some extent. Case two saw an even more narrow scope and lower degree of integration.

5.3 Retrospective analysis

The findings of Jones' studies are contrasted against the findings of this study in figure 6.1. As concerns the findings of (Granlund, 2003), this study did not observe any unintended outcomes, intercepted signs of goal ambiguity (in the second case) and presented presumed effects thereof (delays in integrating parts of the acquired company) and observed how 'common language' was needed (in both bases) for the general integration process. Regarding the notion of dominant preferences by dominant individuals or coalitions, this study supports this notion as real and with considerable influence on MACS integration. However, it simultaneously asserts that dominant preferences by dominant individuals unavoidable have strong influence on MACS integration but that this is desirable. MACS agents, namely management accountants, are the ones that are primarily concerned with management accounting practices (design). Therefore, they the ones that are fully knowledgeable about configurations and effects thereof and their preferences should thus indeed impact MACS integration.

6 Results and end discussion

Due to the nature of the subject matter and the methodology employed, this study does not allege to be able to offer conclusions. Instead, it seeks to offer credible and plausible descriptions and explanations of two cases of MACS integration.

6.1 Notion of integration streams

The analyses of the two cases showed two rather different cases of MACS integration. As many integration efforts were at play simultaneously, a notion of parallel streams of integration, both in terms of general integration as well as MACS integration, should be introduced. These streams were initiated at different times as seen to the overall timeframes. In the first case, most general integration and MACS streams, i.e. integration efforts, were initiated early in and started to fade in the following months as the various integration efforts progressed and were completed. In the second case, the general streams started several months after the acquisition while some MACS streams immediately after the acquisition and some simultaneously as the general integration streams started; that is, at the end of the summer.

6.2 Findings

It is difficult to say whether the integration designs and processes were appropriately managed, making judgments on others' efforts in hindsight is never appealing. However, as both general and MACS integration in both cases progressed smoothly (although more so in the first case) one is inclined to believe integration management were largely successful. The rather massive engagement of integration consultant presumably contributed significantly to the success.

As to the actual MACS integration, the two cases varied considerable but at the same time showed no evidence that MACS integration entail revolutionary changes but instead smaller and incremental changes. The integration efforts varied considerably as seen to the different MACS elements.

6.3 The theoretical framework

A theoretical framework was deemed necessary to somewhat systematically explore and later analyze cases of MACS integration. Since there was no readily available framework to access, a framework had to be developed from scratch. This framework, however, proved to be feel cumbersome and theoretical. This was perhaps because the framework was developed after the empirical enquiries. These enquiries produced framed the information in the form the most comfortable to the interviewees, i.e. in small narratives and fragmented recollections. If the framework had been developed beforehand, it presumably would have proved easier to apply in analysis of the empirics.

6.4 Comparisons with earlier studies

This study acclaims the contribution of past research on MACS integration and it presents findings that in contrast are both in line as well as not in line with earlier findings. This is not to say this study challenge the findings of these earlier studies.

6.5 Future research

Future research should continue to test, add to and further refine the theoretical framework first with more case studies but later with quantitative studies. Eventually, a normative framework, i.e. best practices, may be within reach.

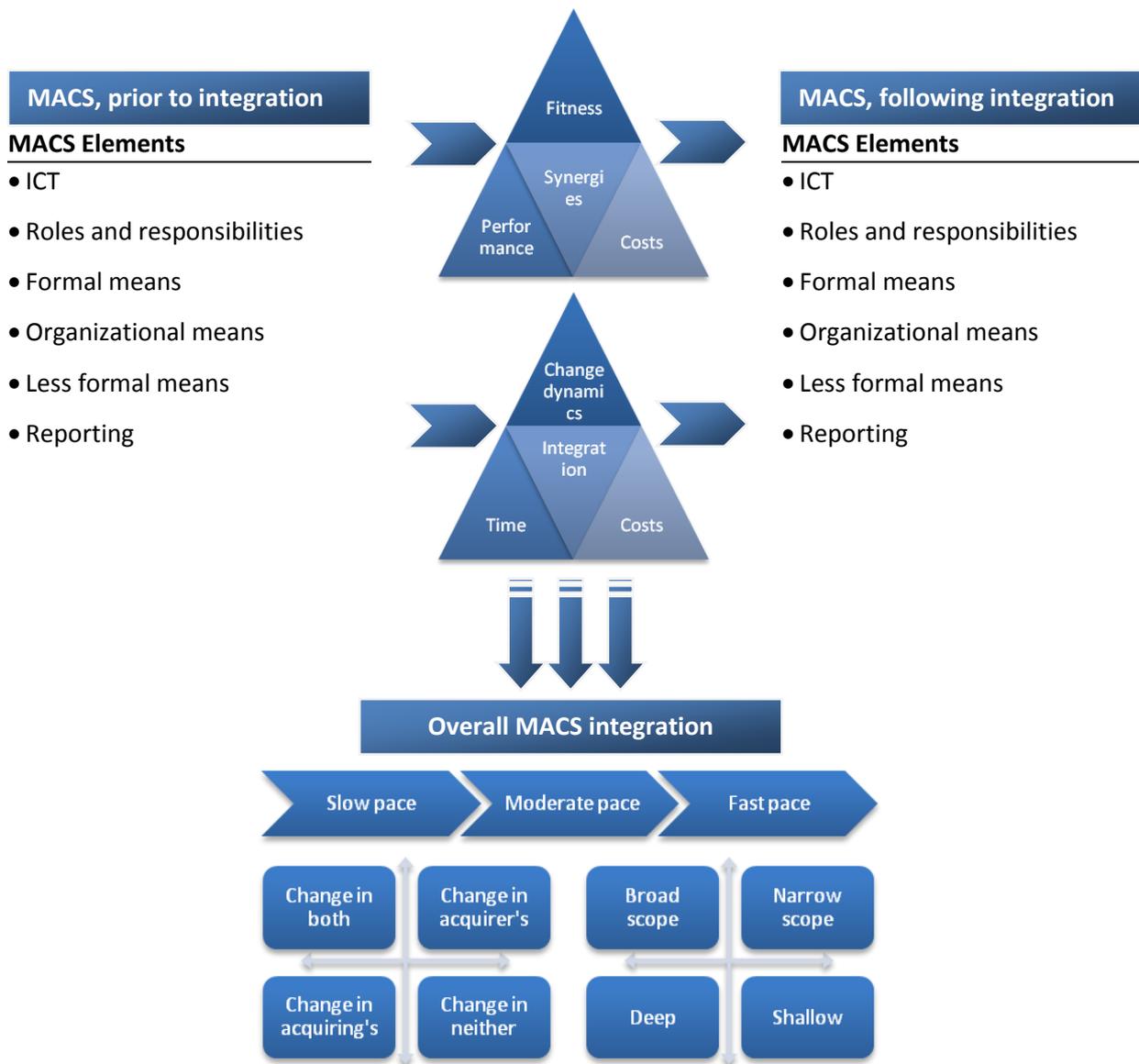


Figure 6.1

	Early studies	Granlund, 2003	This study, 2010	
	Jones (1985b) – 30 cases	Single case	Case one	Case two
a	Assuming order could be instilled in the acquired company by the mechanical extension of the acquiring firms' controls does not hold	Supports the finding	Contradict	Largely contradict
b	MA techniques became much more important after an acquisition	Totally different results: MACS was almost relaxed in the turmoil: management by hands-on-the-deck	Supports the finding	Supports the finding
c	The extent of changes regarding the importance of different MA techniques was similar for each style of acquisition	Supports the finding	N/A	N/A

	but differed according to the size of the acquired company			
d	Significant increases in using monthly reports after the acquisition. Aim to e.g. enhance motivation and improve short-term decision-making	Totally different results: cf. b.	Does not support the finding	Supports the finding
e	A high level of conformity was introduced as regards overall control	Holds for acquiring company' previous acquisitions of smaller companies, different results with regard to the acquisition studied	Partially support the finding	Partially support the finding
f	Best practice selection as MAS development method in 2 cases	In this case this was the particular development method Supports the finding	Heavy use of best practices	Not much use of best practices
g	The consequences of delay in implementing group-wide control systems can be serious, creating uncertainty and permitting undesirable outcomes	Supports the finding	N/A	Supports the finding
h	Removal of power from the acquired firm's senior executives to the acquiring firm	Supports the finding	Acquired company's management was treated as a partner	Complete opposite
i	Post-acquisition MAS problems: over-formalization of procedures, changing the rhythm of reporting, reduction in quality of information, etc.	No such problems visible, since the process was different, combination of best practices, which, in addition, started with great delay	No such problems	No such problems
j	(A long list of reasons for resistance and general post acquisition problems)	(Supports the observations in principle)	N/A	N/A
	Jones (1985a) – xxx cases			
k	Preferences of dominant individuals/ coalitions as significant factors creating situations, where they may not match with the needs of the overall organization	Supports the finding, also demonstrates the way in which this may happen in practice	N/A	N/A
l	In contrast to the modest changes in management accounting systems in acquiring companies, those in acquired companies were extensive	Holds for acquiring company' previous acquisitions of smaller companies, different results with regard to the acquisition studied	Partially supports the finding	Partially supports the finding
m	The acquirer is likely to replace the MAS of the acquired firm with its own MAS	Holds for acquiring company' previous acquisitions of smaller companies, different results with regard to the acquisition studied	Supports the finding	Does not support the finding
n	Only a small number of acquirers allowed acquired companies to deviate from the group MACS to any notable extent	Holds for acquiring company' previous acquisitions of smaller companies, different results with regard to the acquisition	Does not support the finding	Does not support the finding

		studied		
o	The acquirer will allow only a short time for the acquired company to conform to the new requirements; partial compliance never allowed longer than for one year	Holds for acquiring company' previous acquisitions of smaller companies, different results with regard to the acquisition studied	Support the finding	Does not support the finding
Jones (1986) - cases				
p	Group controls have a symbolic meaning	Supports the finding	Undecided	Undecided
q	Some individuals may play a dominating role in the post-acquisition developments; the acquisition may also be used for legitimization purposes by the acquired companies" CFOs etc. as regards changing their MAS to align with the group procedures	Supports the finding, however, the legitimization use of acquisition does not hold here	Does not support the finding	Does not support the finding
r	Deliberate destruction of the acquired companies" pre-acquisition ACS	Holds for acquiring company' previous acquisitions of smaller companies, different results with regard to the acquisition studied	Partially support the finding	Partially support the finding
s	Acquisition caused conflicts and power games delaying changes and damaging the morale of employees	Supports the finding: even purposeful manipulation of figures was discovered	Does not support the finding	Support the finding
Granlund (2003) – Single case				
v	Goal ambiguity may impede integration	-	N/A, no ambiguity existed	Supports the finding
x	Unintended consequences may surface	-	Did not	Did not
y	Lack of common language affects general integration	-	Supports the finding	Supports the finding
z	Dominant individuals determines the design	-	Supports the finding	Supports the finding

Table 6.1

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Questionnaire

General

I.

Purpose of study

The purpose of this study is to examine the reasoning behind the decisions where, how and when to integrate MACS and its different parts, the integration process itself and the design of the acquired companies' new MACS following cross-border mergers and acquisitions.

Overview

- Qualitative interviews
- 1 - 1,5 hours
- Controllers
- Anonymous

Acronym and definition

MACS: Management Accounting and Control Systems

MACS: All the procedures, individuals, organizational units, techniques and information technology that together make up a system of accounting and control

Personal

II.

- Name
- Age
- Position
- Length of current employment
- Previous employment
- Role, involvement and responsibilities in the integration process

Decision-making

III.

Decision

Decision maker(s) and politics

Decision(s) whether to integrate MACS other than mandatory processes (alternative to integration is governance through financial information only)

Decision(s) how to integrate

Decision(s) in which areas to integrate

Decision(s) when to integrate (schedule)

Decision(s) who will be responsible for integration (example: 'change champion' and/or several individuals own change area)

Time overview of decision making process

Decision whether, where and when to use external consultants



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Broad-spectrum issues

IV.

Accumulated M&A integration knowledge

1) How many acquisitions have your company done the latest 7 years?

Has your company accumulated expertise in mergers and acquisition integration?

Is knowledge in MACS integration included in this accumulated expertise?

If so, does such expertise exist throughout the *finance* and *accounting* organization?

Integration Management

Who is/was in charge of the integration process?

How was the development and policies communicated to the entities concerned?

Can this integration process be characterized as planned and structured or as ad-hoc trial and error?

Various

Can the integration be characterized as an extension (copy) of the acquiring company's MACS on the acquired company, or has the latter company's MACS been able to withstand change?

Have there been some degree of chaos in the acquired company following the start of the integration process

If so, have such chaos now decreased?

Is MACS given more importance in the acquired company compared to before the merger?

Is there a more frequent usage of reports following the merger?

At a general level, what degree of similarity exists between the two MACS?

Have the acquired company's MACS affected the acquiring company's MACS?

At a general level, have there been significant delays in the integration process?

Has there been significant uncertainty in the integration process?

Have there been undesirable outcomes from the integration process?

Has there been removal of power from senior executives at the acquired company?

What types of post-acquisition resistance and problems have emerged?

Preferences of coalitions and or dominant individuals versus needs of the organization?



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Design of MACS over time

V. Degree of mechanical extension

	Previous MACS	Current MACS	Future (Planned) MACS
Issue	Acquiring C. Acquired C.	Acquiring C. Acquired C.	Acquiring C. Acquired C.
1. Reporting			
2. Planning, long and short term			
3. Budgeting (Philosophy/Procedures)			
4. Capital budgeting			
5. Costing (Philosophy/Procedures)			
6. Internal pricing			
7. Performance measurement/Benchmarking (Objectives, Measures, Targets, Incentives, Feedback)			
8. Budgeting, Residual income/EVA, Bsc			
9. Organization of accounting function			
10. Accounting as management control support			
11. Controllers (different and changing roles)			
12. Business intelligence			
13. ERPs/ledger systems			

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Timeframe

VI. Integration process timeline

	Date of Acquisition	Person responsible	Dates of milestone achievements
1. Reporting			
2. Planning, long and short term			
3. Budgeting (Philosophy/Procedures)			
4. Capital budgeting			
5. Costing (Philosophy/Procedures)			
6. Internal pricing			
7. Performance measurement/Benchmarking (Objectives, Measures, Targets, Incentives, Feedback) Budgeting, Residual income/EVA, Bsc			
8. Organization of accounting function			
9. Accounting as management control support			
10. Role of controllers			
11. Business intelligence			
12. ERPs/ledger systems			

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Various integration issues

VII. Integration process (continued)

Issue

a) Necessity b) Difficulty c) Priority d) Tradeoffs e) Problems f) Effort g) Method h) Stimulating/hindering factors

1. Reporting
2. Planning, long and short term
3. Budgeting (Philosophy/Procedures)
4. Capital budgeting
5. Costing (Philosophy/Procedures)
6. Internal pricing
7. Performance measurement/Benchmarking
(Objectives, Measures, Targets, Incentives, Feed-back)
8. Budgeting, Residual income/EVA, Bsc
9. Organization of accounting function
10. Accounting as management control support
11. Role of controllers
12. Business intelligence
13. ERPs or ledger systems

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