LUND UNIVERSITY
School of Economics and Management

Department of Business administration

FEKH19

Degree Project in Strategic Management

Autumn semester 2013

Barriers and Enablers to Organizational Integration in Cross-border Mergers & Acquisitions

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ABSTRACT

One way to achieve economies of scale and scope, and other potential advantages of firm size, is through mergers and acquisitions (M&As). Being spectacular business events, and very frequent in the eco-system of firms, it has attracted much interest from both researchers and practitioners. However, empirical reviews do not support the popularity of M&A. It seems that the potential synergies are difficult to realize. A key process and major challenge for success, especially for cross-border M&As, is organizational integration. In this work, we have studied organizational integration in cross-border M&As primarily through a qualitative re-investigation of three case studies with the intent to understand what barriers and enablers could explain different outcomes. Through the use of an established coding scheme for variables related to synergy realization, and a database containing a number of coded case studies, we have also been able to make quantitative comparisons, which contributed to our analysis. The outcome is a proposal on how an existing model of synergy realization can be refined for cross-border M&As. It includes the addition of state involvement, legal obstacles, national culture, integration management and union power as factors influencing organizational integration.

INTRODUCTION

Firms continuously strive to improve their value-creating activities and their strategic position relative to their competitors. The most fundamental goals are to minimize costs and to maximize revenues. Firms try to reach these goals through negotiating prices of raw materials or components, ensuring efficient production and distribution, developing and marketing new products that enhance the benefit for customers. Larger firms may be able to reach these goals more effectively and to a higher degree, since larger size enables increased bargaining power, economies of scale and scope, learning economies, financial power, and market reach. Therefore, growth itself is a valid objective.

Economies of scale is a reduction in average cost per produced unit over an increasing range of output (Besanko, Dranove, Shanley & Schaefer, 2010). Examples of fixed cost are general and administrative expenses, property rents and taxes, and costs of production equipment. Scale economies can also be achieved in several areas of a business such as advertising, distribution, service networks and research and development (Seth, 1990).

Economies of scope occur when it is cheaper to produce multiple product lines or services in one firm than to produce them in separate firms i.e. savings being achieved as the variety of goods or services increases. Economies of scope arise when an production factor that is under-utilized for a specific good, for example due to low demand, is jointly utilized for production of different goods. Economies of scope may also arise from sharing human capital such as specific know-how (Seth, 1990). By exploiting economies of scope firms can achieve efficiency in production and reduction of the total cost per unit. Prahalad & Bettis (1986) suggest that economies of scope can arise from other sources, such as managers with specific skills in finance, R&D, production, etc. that can be spread within the diversified firm. Pralahad & Bettis (1986) describes the importance of top managers' ability to influence the strategic choices made by lower-level managers in diversified firms that has impact on firms' overall performance. “Top management of a (diversified) firm should not be viewed 'as a faceless abstraction', but as a 'collection of key individuals' (i.e. a dominant coalition) who have significant influence on the way the firm is managed. This collection of individuals, to a large extent, influence the style and process of management, and as a result the key resource allocation choices” (Pralahad & Bettis, 1986:489).

Firm size is also connected to market power, which can help firms to keep new entrants away and strengthen their position towards existing competitors, i.e. market power can play a role of entry barrier and help firms to gain a stronger competitive position (Caves & Porter, 1977).

Firm can diversify on their own to seek the advantages described above, but in an increasingly competitive environment, organic incremental growth may not be possible to achieve at a sufficient rate. Mergers and acquisitions (M&As) is an alternative way to make an instant leap in size and potentially achieve economies of scale and scope. In addition, through M&As firms may get better access to raw materials, products, technologies, capabilities, markets and customers, potentially rendering them a stronger competitive position.

Indeed, M&A is a frequent phenomenon in the business environment. Although it has been observed in waves throughout the 20th century, the frequency of M&As has increased dramatically since the 1980’s, with global peaks in 2000 and 2007 (Dikova & Sahib, 2013; www.imaa-institute.org). However, for various reasons, M&As are far from always successful (Datta, 1991; King, Dalton, Daily & Covin, 2004; Lubatkin, 1983; Porter, 1987), and much research has been performed to understand the strategic conditions and organizational processes of M&As. One key part of achieving the potential synergies of M&As is a successful organizational integration after the deal has been closed (Haspeslagh & Jemison, 1987; Larsson & Finkelstein, 1999). But this may be difficult to achieve due to threats to job security, differing organizational cultures, and loyalties remaining with the original organization and projects, rather than those of the new firm.

The need to improve firm performance is driven by competition. European firms have faced considerable competition from US firms since the 1960's. Large American firms, having achieved enormous size and strength in their home markets were a major threat to European firms operating in a much more fragmented industry, and whose operations were mostly national (Olie, 1996). In order to meet the challenge and competitiveness of US firms, there was a need for industry consolidation not only nationally, but also across European borders.

Cross-border acquisitions have become an increasingly common way to achieve foreign expansion in recent years (Slangen, 2006). For cross-border M&A there are even more potential barriers to effective organizational integration, such as legal, political, managerial obstacles (Mazzolini, 1975), fiscal, technical, behavioral (Stewart, 1972) as well as greater differences in organizational, managerial and national culture (Larsson & Risberg, 1998; Olie, 1996; Slangen, 2006).

The majority of M&A research takes specific perspectives, such as strategic, economic, finance, organizational and human resource management (HRM) (Larsson & Finkelstein, 1999). A few researchers have tried to integrate the different perspectives, e.g. Larsson & Finkelstein (1999). However, our impression is that few such integrated approaches have been used for cross-border M&A.

PURPOSE OF THE STUDY

Being such a frequent business phenomenon in spite of weak empirical outcomes, and widely researched without clear conclusions, M&A continues to be a relevant subject with remaining possibilities for further research. With organizational integration as a key process for success, and the added dimensions and potential barriers in cross-border M&A, we found organizational integration in cross-border M&As as an interesting area of focus for our thesis.

Among cross-border M&As, there are examples of both successful (e.g. Electrolux-Zanussi (Andersson, De Sanctis, Finzi, Franzan, Ghoshal & Haspeslagh, 1989)) and unsuccessful (e.g. Hoogovens-Hoesch, (Olie, 1996)) outcomes. The varying outcomes observed have interested us in investigating closer what barriers to and enablers for organizational integration that may be important for understanding cross-border M&As and how they relate to the different outcomes.

Since M&As in general are complex undertakings, we would like to use a framework where different research perspectives (strategic, organizational, HRM) are combined in an integrated model. Larsson & Finkelstein (1999) have proposed such a model, which they tested by using a coding of key variables related to synergy realization across a sample of case studies. From what we can find, such integrated models have not been used to study cross-border M&As in particular. Furthermore, through the coding, it is mainly a quantitative model that can provide external validity, but it does not attempt to identify specific factors of cross-border M&As or explain in what ways they affect organizational integration. The purpose of this study is to seek a better understanding of cross-border M&As by investigating potential barriers and enablers of organizational integration. We will try to answer the following research questions:

1. What factors influence organizational integration in cross-border M&As?
2. How can these factors be included in an integrated model of synergy realization to better explain outcomes in cross-border M&As?

We will try to answer these questions by first reviewing two case studies of cross-border M&As in detail, and also code them according the scheme of Larsson & Finkelstein (1999). In a second step we will investigate the findings qualitatively against another case study on an

M&A with a different outcome, i.e. successful vs. unsuccessful. Finally, through the coding, we will make quantitative comparisons between the two case studies and other cross-border M&As (Larsson & Finkelstein, 1999). The ability to explain both successful and unsuccessful outcomes will be a test of our contributions to the model.

THEORY

Theoretical perspectives on mergers and acquisitions

Mergers and acquisitions (M&As) have occurred in waves during the last century, and have transformed industries and markets. Within each wave different reasons for mergers were viewed. Primary reasons include reduction of competition and achieving economies of scale through horizontal and vertical integration, market power gains, geographical expansion, efficiency gains, resource sharing, and diversification (Besanko et al., 2010).

In practice it seems to be difficult to reach the desired benefits of mergers and acquisitions in spite of great variety of literature and research on M&A. Several scholars explain those failures by the fragmented nature of M&A studies (e.g. Larsson & Finkelstein, 1999).

In the field of strategic management, M&As were studied as a method of diversification. The field of economics studied M&A with accounting-based measures with primary focus on economies of scale and market power. Finance scholars used stock market-based measures to study acquisition performance where shareholders' return defines company's performance. Organizational theories focused on the human side of the integration process concentrating primarily on culture clash, conflict resolution and acculturation. Finally, HRM literature studied M&A through psychological perspective focusing on communication and M&A impact on career (Larsson & Finkelstein, 1999). As a result of this fragmentation we can observe conflicting results between different perspectives.

More recent studies began to synthesize some theoretical perspectives: strategy and finance perspectives and organizational and financial perspective. Nonintegrative nature of M&A research occurs due to "strategic, economic, and financial M&A research tends to disregard the organizational and HRM issues that are a central part of the acquisition integration process and may play a large role in determining the success or failure of M&A" (Larsson & Finkelstein, 1999:2).

Ibid. (1999) created a model that defines four separately studied M&A main issues: combination, integration, employee and performance. By synthesizing and integrating these four issues authors studied correlations between these variables (combination potential, organizational integration and employee resistance) and synergy realization using the case survey method to test this relationship empirically across a broad sample of case studies.

Relatedness

The combination potential of M&As is viewed in terms of their degree of relatedness success (Datta, 1991; Larsson & Finkelstein, 1999). Relatedness is proposed as an important indicator for M&A. Richard Rumelt (1974, as referenced in Besanko et al., 2010) developed the notion of relatedness and showed with his study that related diversification strategies outperform unrelated diversification strategies. He classified businesses in four groups based on the relatedness of their businesses: a single business firm where more than 95 percent of annual revenue comes from firm's primary activity; a dominant-business firm with annual revenue between 70 and 95 percent coming from the primary activity; a related-business firm and an unrelated business firm (Besanko et al., 2010). According to Rumelt, merging firms considered to be related when" a common skill, resource, market or purpose applies to each, i.e. if they employ similar production techniques, serve similar markets and use similar distribution systems, and employ science-based research" (Seth, 1990:100). During his study Rumelt found that unrelated diversification strategy is the one of the lowest performing on the average. More recent statistical study of diversity and performance by Nathanson and Cassano found that on the average returns declined as product diversity increased, while returns remained relatively steady as market diversity increased (Pralahad & Bettis, 1986).

Both studies showed that relatedness is the key aspect linking diversification and firms' performance. But relatedness is only an indicator of the potential synergetic benefits that can be realized through effective acquisition process.

Strategic and organizational fit

Strategic and organizational fit are viewed as determinants of the acquisition process success (Jemison & Sitkin, 1986). Strategic fit can be defined as "the degree to which the target firm augments or complements the parent's strategy and thus makes identifiable contributions to the financial and nonfinancial goals of the parent" (Jemison & Sitkin, 1986:146). Studies of strategic fit show a positive relation between strategic fit and value creation in acquisitions. Prior research in strategic management focused mainly on strategic fit, not only because of its practical requirement, but also because it is easier to extract data for strategic analysis. Strategic data can be extracted from sales, market and capital market projections (Jemison & Sitkin, 1986). While strategic fit is a necessary condition for acquisition success, organizational fit is considered to be an important supplement. Organizational fit focuses primarily on integration impact on day-to-day operations after acquisition. Datta (1991) indicates management style to be a particularly important factor of organizational fit. Management styles differ across firms: some managers can be more risk averse than others, some managers rely on common sense and gut feelings where the others rely exclusively on financial and economic rapports and analysis. Management styles can also differ in levels of flexibility, control, communication and tolerance for change. Datta (1991) found in his study that difference in management style and thinking contributes to post-acquisition problems and results in conflicts, difficulties in achieving synergies, reduction of market share and poor overall performance.

Synergy

As discussed earlier, M&As were studied through different perspectives. The issue with the fragmented studies is the difficulty of measuring merger and acquisition performance. Studies that are taking in to account accounting-based (economics) and stock-market-based (finance) measures pay little attention to organizational integration that can be a crucial factor of M&A performance. Larsson & Finkelstein (1999) view M&A performance instead, in terms of synergy realization, defining it as the actual net benefits (reduced cost per unit, increased income, etc.) created by the interaction of two firms involved in a merger or acquisition in relation with the combination's potential, the degree of integration achieved, and the lack of employee resistance.

Synergy is reached when a combination of two companies gives higher performance and greater value creation than if the firms operate as two separate parts. The potential benefit achieved through the combination is the primarily drive force behind the M&A. Synergy is the term that is commonly used in M&A studies and is a central concept in M&A literature. DePamphilis (2010) names the two basic types of synergy: operating synergy and financial synergy. Operating synergy is reached through the economies of scale and economies of scope, and is measured as reduction in production and marketing cost per unit. Financial synergy is reached through lower cost of capital and risk reduction. By achieving financial synergy company aim to improve their financial performance and gain more wealth for their shareholders.

Larsson & Finkelstein (1999) name two additional types of synergy: market power synergy and management synergy. Market power synergy is also known as collusive synergy and achieved through higher market and purchasing power. Increased bargaining power through bigger size and market concentration gives the firm a possibility to obtain higher customer prices reflecting in higher revenue and lower supplier prices reflecting in cost reduction. Management synergy is achieved through applying competencies across acquired firms and knowhow sharing.

Organizational integration

Some researchers argued that combination potential is difficult to realize without proper coordination and integration (Datta, 1991). Organizational integration plays an important role in synergy realization and has a direct effect on M&A performance. Without it, a company can fail to reach expected synergy and benefits from M&A in spite of presence of earlier discussed important factors. Larsson, Brousseau, Driver, & Sweet (2004) states that the secret of successful M&A lies in choosing the right approach to organizational integration.

Ibid. (2004) define three commonly used and discussed organizational integration types: soft/avoiding, hard / controlling and co-competence. With *soft or avoiding* integration approach existing value of the joining firms are taken into account. Integration is slow and careful. With soft approach companies try to learn about each other under ongoing process of integration and establish trust. An advantage with this approach is that employee resistance is minimized. A disadvantage is that integration is "put on hold" and expected operational synergy is lost or achieved too slow.

Another integration approach is hard or controlling. This approach is the opposite of the previously described soft /avoiding approach. This approach can be described as forceful and one-side implementation of the acquirer´s way of doing business as the only right one. Integration precedes fast and usually meets a lot of resistance from the acquired firm and employees. These two approaches contributed to emerging of so called M&A integration dilemma. Choose soft approach at the expense of functional integration or hard approach and reach functional integration but at the great cost of employee resistance? No matter what one chooses there is a pitfall that comes with the approach.

Larsson et al. (2004) names the third approach to be an answer to that dilemma, the co-competence integration approach. This approach appeared to give firms opportunity to reach functional synergy and be able to avoid employee resistance. The approach focuses on exploiting and combining firms` unique and valuable competences and can be seen as a mixture of the two previously described approaches. Co-competence organizational integration builds on positive and motivational approach with two-way communication, career development and organizational investments. At the same time integration can proceed with high pace to reach synergy realization.

Employee resistance

Practice shows that in spite of positive combination effects and high degree of organizational integration there is evidence of unsuccessful M&A implementation where expected benefits are not reached. Some researchers argue that employee's reactions to merger are the reasons of M&A failure. Employee resistance is an important factor to M&A success and studied in great variety. Employee resistance can take a number of forms: "persistent reduction in output, increase in the number of "quits" and requests for transfer, chronic quarrels, sullen hostility, wildcat or slowdown strikes, and, of course, the expression of a lot of pseudo logical reasons why the change will not work" (Lawrence, 1969). We can summarize the main reasons identified in the literature on employee resistance. They can be grouped by three reasons: individual, culture and career. Employee reaction to M&A can be negative due to (1) individual psychological perspective as distrust, fear of change, personal attitudes, (2) culture clashes, and (3) change in career plans as layoffs, relocation, and loss of influence (Larsson & Finkelstein, 1999).

Employee resistance was primarily studied in terms of cultural differences and acculturation. Culture is defined as “the beliefs and assumptions shared by members of an organization” (Nahavandi & Malekzadeh, 1988:80). Organizational culture has been used to explain differences in managerial styles and the success of some organizations. By managing the culture in the right way, companies can be more successful. Problems appear when companies with different cultures decide to merge or one company acquires another. This lead to culture clashes that result in misunderstanding, stress, conflicts, negative effects on quality and reduced employee performance. Acculturation helps to resolve issues associated with cultural clashes.

Acculturation

Acculturation can be defined as “the modification of the culture of a group or individual as a result of contact with a different culture” (thefreedictionary.com, 2013). Some researchers suggest that fit between cultures in the acquirer and the acquired firm plays an essential role in the success of the merger implementation as less employee resistance observed with more similar cultures.

Cross-border mergers make the case even more challenging as companies can differ greatly with their organizational and national cultures leading to higher degree of employee resistant. That’s why acculturation process should take a central role in cross-border mergers as it implies higher consequences for merger implementation success. Larsson & Lubatikin (2001) show with their study that there are ways to overcome cultural barriers through involving employees in socialization activities such as introduction programs, training, cross visits, celebrations and other social activities. If autonomy of the acquired firm is restricted then additional control mechanisms are advised: transition teams, senior management involvement and temporary personnel exchange/ rotation.

The role of the integration manager

The integration manager is a person dedicated in one of the two merging organizations to make the integration happen. Teerikangas, Véry & Pisano (2011) have studied the role of integration managers in the acquisition process and found that they have an impact on acquisition performance defined as value captured. Their findings contribute to explaining how to manage the acquisition process most effectively by utilizing the integration manager. According to their study, the integration manager captures value by acting as (a) a change agent, (b) a cultural carrier, and (c) a knowledge transferor.

As a change agent, the integration manager should facilitate and guide the process of organizational and operational alignment between the two firms by spurring change, ensuring integration progress, showing support and providing a link to top management. In their study, authors found evidence that firms who had integration managers were more successful in achieving change.

Cultural change in cross-border mergers not only occurs at the level of organizational culture, but also at the level of national culture. Thus, the integration manager also has a cultural carrier role in in enabling organizational culture change and supporting adaption between the firms' national cultures. In the role of being a culture translator, the manager helps to translate the firms' national cultures to foreign employees. However, not much attention has been given to the integration manager's cultural carrier role in earlier research (Teerikangas et al., 2011).

National culture dimensions in mergers and acquisitions

While organizational researchers have given most attention to organizational culture, they have failed to acknowledge that organizational culture is affected by national culture (Olie, 1996). Several studies have attempted to explore the relationship between national culture and organizational behavior.

Hofstede (1984) has found that national culture plays an important role in management and planning. He states that a management technique or philosophy that is appropriate in one national culture is not necessarily appropriate in another. Hence, there is a need for international managers to take cultural differences between countries into account when transferring management ideas from one country to another. In his study he found four dimensions along which elements of a national culture could be described: individualism versus collectivism, large versus small power distance, strong versus weak uncertainty avoidance and masculinity versus femininity. An index score indicated the position of a country on each of the four dimensions where the lowest country scores around zero and the highest around 100. It can be concluded from Hofstede's model (1984) that Germany and The Netherlands are culturally different in the dimensions masculinity versus femininity, individualism versus collectivism and uncertainty avoidance. Germany has a higher degree of collectivism than The Netherlands, which means that Germans are to a larger degree motivated by group interests and expect the group to look after them. According to the author, Germany is a typical example of a performance society with a masculine culture and The Netherlands is a typical example of a welfare society with a feminine culture. Masculinity is associated to performance, career and heroic managers whereas femininity stands for welfare, relationships and quality of life. Germany has a stronger uncertainty avoidance score than The Netherlands. In cultures with high uncertainty avoidance, rules, formalization and standardization tend to be rigorous. For example, this dimension affects how meetings are conducted. Hofstede (1984) states that differences in the cultural need for formalization and standardization may lead to deep misunderstandings and inefficiencies when management skills are transferred between countries.

Given that there are cultural differences between nations, post-merger integration may be more difficult in international mergers than in domestic mergers and some countries may be more difficult to combine than others (Olie, 1996). In addition to Hofstede's dimensions, there have been other attempts to cluster countries based on their culture. As a result, Western countries can be divided into four clusters where The Netherlands belongs to the Nordic cluster and Germany belongs to the Germanic cluster. Olie (1996) anticipates that mergers between organizations from countries in different clusters have more culture-related integration problems. Several researchers have studied the effect of national cultural distance on acquisition performance and the results have shown both positive and negative relationships (Dikova & Sahib, 2013; Slangen, 2006). The group of studies who found a negative relation between cultural distance and acquisition performance suggest that it is due to increased cost of integration and cultural collision during the post-acquisition process. A positive relationship could, on the other hand, be explained by the fact that cultural differences provide the acquirer with a new set of routines to operate successfully in a new environment (Dikova & Sahib, 2013). The studies by Dikova & Sahib (2013) and Slangen (2006) have attempted to reconcile these research streams.

Slangen (2006) studied the effect of national cultural distance on acquisition performance in 102 Dutch cross-border acquisitions in 30 countries. The study showed that effect of national cultural distance on cross-border acquisition performance is neither positive nor negative, but dependent on the level of post-acquisition integration. Cultural differences are only negative if the planned level of post-acquisition integration is high, but if the acquired unit operates with autonomy, cultural differences should not harm its performance. Slangen (2006) even argue that national cultural distance can be beneficial if post-acquisition integration is limited since the firms gain access to one another’s country-specific practices and can selectively adapt them.

Dikova and Sahib (2013) suggest that the effect of cultural distance on cross-border acquisition performance is dependent on the level of acquisition experience of the acquirer.

Internationally experienced acquirers are more likely to be aware of cultural differences and are therefore better at resolving culture-related conflicts, which leads to a higher acquisition performance. On the contrary, performance of cross-border acquisitions by inexperienced acquirers is lower because they lack culturally sensitive anti-conflict plans, which affects the ability to fully benefit from cultural distances (Dikova & Sahib, 2013).

European cross-border mergers

On top of cultural differences, which may be even more difficult to overcome in organizational integration between firm from different countries with strong national identities, Mazzolini (1975) points to a number of additional obstacles for cross-border mergers in Europe. Among external/environmental obstacles is the absence of a legal basis for a truly European firm. Although ownership of the combined entity can be shared across borders, a company can have its legal registration only in one country. The legal structure usually separates the operating companies from holding companies and can take various forms such as cross-holding, joint holding or contractual structure (Olie, 1996). An organizational structure different from the legal one can be used to enhance coordination and integration, but as will be presented in the results section, may not be effective. Further legal obstacles related to taxation, control of capital or stock flows, and accounting rules, have a more direct and practical effect. Mazzolini (1975) also found that although politicians often picture themselves as proponents of European integration and transnational business collaboration, their first priority is usually the national interest. This may be due to fear of reduced domestic investments, national independence in industries such as military equipment or energy, or prestige attached to a firm’s national identity. Subtle influences are exerted through subsidy cuts or through financial intermediaries, or in some countries such as France, through informal ties between public agents and management. Among internal/managerial obstacles, Mazzolini (1975) found that language is an important obstacle. Besides the obvious issue of comprehension, it hinders socialization as a way to integrate the human assets in a firm. Also, if one of the two partners has to give up his language in favor of the other, it can cause a feeling of disadvantage and cause conscious or subconscious resentment. Nationalism among managers can also be an important obstacle. Although not openly displayed, it may come from a desire to maintain the firm's national image, a belief in the superiority of own working practices, and leads to inefficient decision-making and reduced effort to adapt and integrate. Finally, Mazzolini (1975) brings up a lack of skills in international business and strategic planning among European managers. The former is caused by a national rather than European focus throughout the educational system, and limited international experience. The latter results in failure to identify the opportunities of cross-border mergers, and firms acting only as a response to imminent threats rather than proactively.

PRELIMINARY THEORETICAL FRAMEWORK

We base our preliminary theoretical framework on the integrated model for M&A performance by Larsson & Finkelstein (1999) (see Figure 1). In this framework, synergy realization is the dependent variable with combination potential, organizational integration and employee resistance as direct antecedents. The direct antecedents have been described in the Theory section and integrate the perspectives of strategic management, organizational research and HRM. Management style similarity, cross-border combinations and relative size are independent variables influencing the direct antecedents of synergy realization. Each variable in the framework can be measured for a specific M&A via a set of items in a coding scheme (Larsson & Finkelstein, 1999). The focus of this thesis is to investigate the relationship between the variables cross-border combinations and organizational integration. Our literature review has suggested that barriers and enablers involved in this relationship might include legal obstacles (Mazzolini, 1975), integration managers (Teerikangas et al.,

2011) and national culture (Dikova & Sahib, 2013; Hofstede, 1984). This leads us to our preliminary theoretical framework as seen in Figure 2.

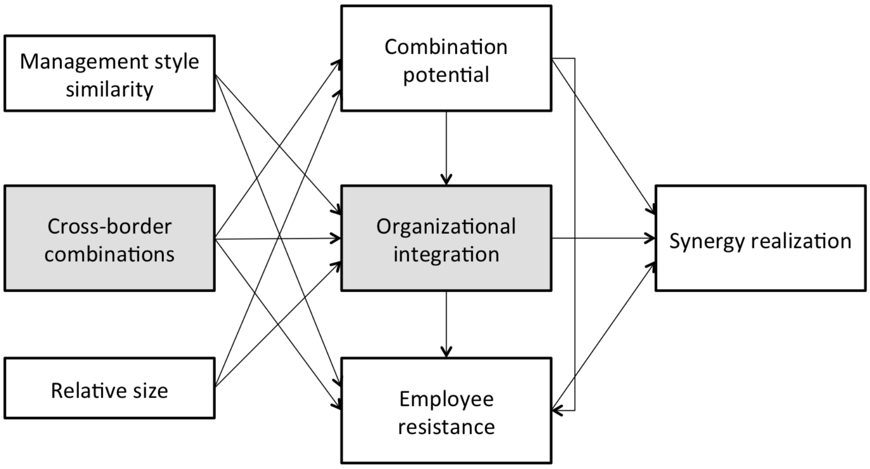

Figure 1. Integrated model of M&A performance by Larsson & Finkelstein (1999).

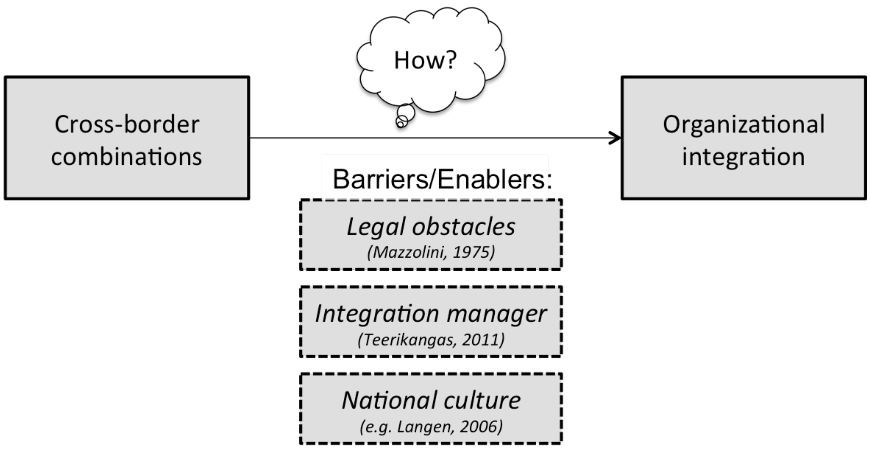

Figure 2. Preliminary theoretical framework of the study.

METHOD

In this section we describe how our research study was conducted. First, we explain the choice of research design. This is followed by a description of the different steps in our study with regards to sampling, measurements and data analysis. Finally, we discuss the reliability and validity of our study.

Research design

The purpose of this study can be condensed into three main objectives: (1) to seek a deeper understanding of potential barriers and enablers for cross-border M&As, (2) to investigate how these findings can be included in an integrated model of synergy realization and (3) to test the ability to explain both successful and unsuccessful outcomes of cross-border M&As with our findings.

Since existing theory is fragmented (as mentioned above) and does not provide clear and consistent answers to our first objective, an explorative stand was preferable. Therefore, we decided that a qualitative approach with an inductive strategy served our needs best in reaching the first objective. In inductive research, data are collected to build theory rather than to test it (Bryman & Bell, 2011). However, to reach our second objective, we needed to test an established framework. Larsson & Finkelstein (1999) conducted a study where they built a synergy realization model based on 61 cases. This resulted in a database comprising of measurements on each case. The use of their framework had the benefit of providing us with standardized measurements to compare cases with the database. This would support our all of our objectives with a quantitative component. Hence, our third objective would be enabled by both a qualitative and a quantitative comparison between successful and unsuccessful cases.

The combination of exploring relationships in more depth and a quantitative comparison to an established database of cases prompted us to take a mixed methods approach to our study. Mixed methods research entails a quantitative as well as a qualitative component and has become more common and accepted among researchers in the past years (Bryman & Bell, 2011). We chose to employ a traditional qualitative method in combination with a mixed method called case survey method, which is described below. Due to the complexity and nature of the subject and the intent to compare cases, we found that a case study on multiple cases was most suitable to answer our research questions.

Case survey method

Larsson & Finkelstein's study (1999) was built on the case survey method. The case survey method bridges qualitative and quantitative research and entails four basic steps: (1) select a group of existing case studies, (2) design a coding scheme to convert the qualitative case descriptions into quantified variables, (3) code the cases using multiple raters and (4) analyze the coded data (Larsson, 1993). There are several strengths of using the case survey method. For our choice of research design, the key benefit of using the case survey was that it combines the ability to study complex phenomena with quantified measures that allows for analysis of cross-sectional patterns. Furthermore, the case study method addressed the challenge of resource limitations by making use of previous research efforts reported in case studies (Larsson, 1993). A potential limitation with the case survey method is the simplification of a complex phenomenon through the coding procedure (Larsson, 1993). This makes the analysis of a complex phenomenon such as barriers to synergy realization more of a difficult task. Therefore, we found a qualitative design with an inductive approach as more suitable for the theory generating part of the study

Research steps

After selecting the cases, the qualitative and quantitative components of the study were applied in combinations in two major steps.

Step 0. In the first step we selected the cases for our research. Given time and resource constrains, we decided to make use of previous research efforts reported in case studies. This would also allow us to deploy the case survey method used in the study by Larsson & Finkelstein (1999) and described by Larsson (1993). After expressing an interest in cross-border mergers, our supervisor Rikard Larsson provided us with the book “European transnational mergers” by Olie (1996) and suggested us to make use of the case studies within. The book entailed three case studies of which we decided to select two. The discarded case study described a complex merger involving three partners, which we assessed would be a difficult task to code. In addition, we only had two authors coding which limited the resources and time to code three cases. The selected two cases each described a merger between a Dutch and a German company in the 1970’s and are detailed in Table 1 below. From here on, we will refer to the selected cases as case A and case B. Case A and B fulfilled the selection criteria of the original study by Larsson & Finkelstein (1999) by: (1) describing a specific merger or acquisition, (2) containing at least two pages of description on both strategic and organizational issues and (3) including a description of at least one year of the integrations process. In addition, our cases were also richer in number of pages in comparison to the average length of 50 pages in the original study (Larsson & Finkelstein, 1999) and allowed us to answer our research question. Since case A and B both described unsuccessful mergers, we decided to include a third case on a successful cross-border merger to enable reflections about contrasting findings in our study. We decided to choose a case from the Larsson & Finkelstein (1999) database: Electrolux-Zanussi. This case will be called case C from here on, and is briefly described in Table 1 below.

A potential limitation with using case studies as empirical data is that it makes use of secondary data, which implies a risk that data was left out and lack of insider understanding of the data (Larsson, 1993; Bryman & Bell, 2011). However, we find this solution reasonable due to the large investments in time and resources required to study cross-border M&As. We compensate for the fact that we use secondary data by studying three cases, which allows for interesting comparisons. A secondary analysis also offers the opportunity of making new findings in under-explored data (Bryman & Bell, 2011).

Case ID	Merger partners	Reference	Number of pages	Country	Sector	Year
A	Fokker Vereinigte Flugtechnische Werke (VFW)	Olie 1996	69	The Netherlands Germany	Aerospace	1969-1979
B	Hoogovens Hoesch	Olie 1996	75	The Netherlands Germany	Steel	1972-1982
C	Electrolux Zanussi	Andersson et al.	25	Sweden Italy	Household appliances	1984

Table 1. Overview over case studies included in the qualitative part of the study.

Step 1 entailed an in-depth analysis of case A and B. First, we studied the cases in a qualitative analysis. Thereafter, we applied the third step of the case survey method, in which we coded case A and B to obtain quantified measures of the cases. In the coding procedure we were able to identify themes that were extracted from the qualitative analysis, but not captured in the Larsson & Finkelstein (1999) framework. It should be noted that measurements already existed for case C since it was included in the study by Larsson & Finkelstein (1999) and therefore was part of the database.

Step 2 was concentrated around a comparative design. Here, we first applied the fourth step of the case survey method where we analyzed the coded data. This, together with findings in step 1, gave us an indication which themes to focus on in the qualitative comparison between case A, B and C. The comparison required to first make a small qualitative analysis of case C. On the quantitative side, we made use of our quantified measures from phase 1 to make a cross-sectional analysis with the database. Figure 3 provides an overview of the research steps. In the following sections, the different steps of the qualitative method will be described first, followed by the steps of the case survey method.

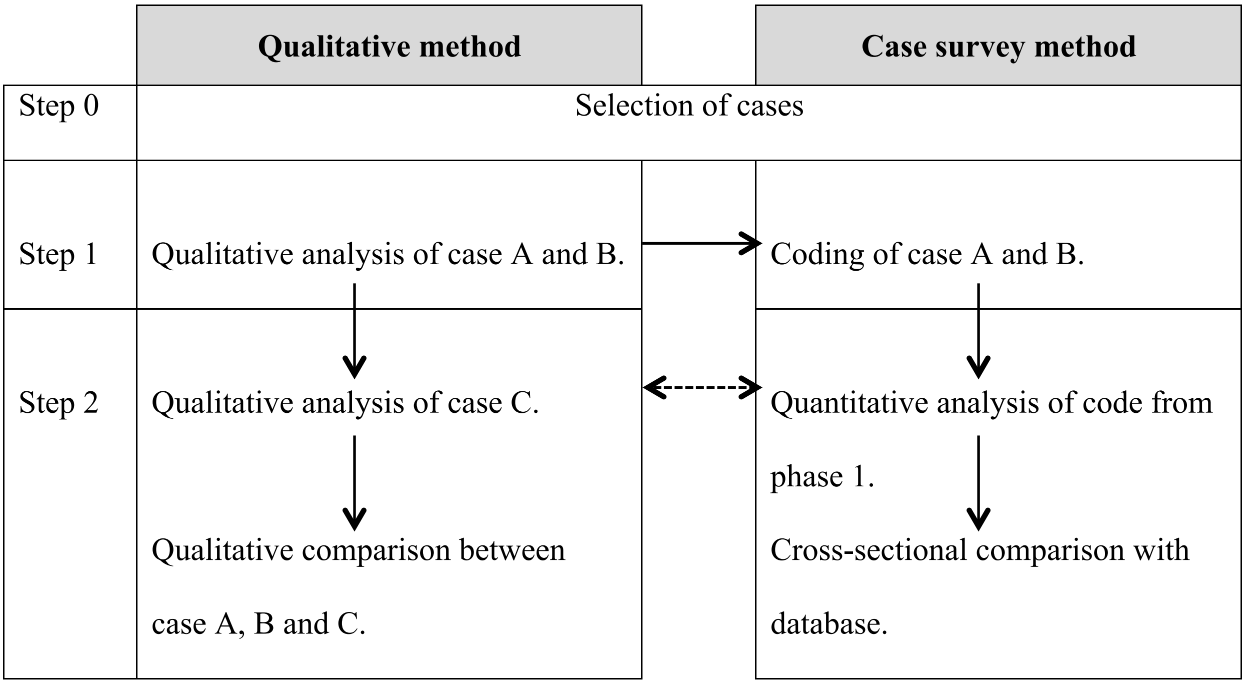

Figure 3. Overview of steps in the method.

Qualitative analysis

A case study re-examination made it less complex to perform a qualitative data analysis than can be the case with primary data from interviews (Bryman & Bell, 2011). The approach used for analysis can be described as a simple form of grounded theory as described by Bryman & Bell (2011). As we read through case A and B, concepts were noted down, defined as topics that were frequently described as important factors affecting the case. The concepts were grouped into a higher level of categories, or themes and were discussed between the authors to agree upon a final set of themes. In the subsequent coding procedure, we were able to identify themes that were extracted from the qualitative analysis, but not captured in the Larsson & Finkelstein (1999) framework.

Qualitative comparison between cases

After step 1 and the quantitative analysis of the code in step 2, we had narrowed down our findings into key factors going into the qualitative analysis of case C in step 2. This analysis was carried out in a similar way to the analysis of case A and B, but our key factors guided us towards particular themes. In the qualitative comparison between case A, B and C we were able to extract common themes where the two unsuccessful cases A and B contrasted to the successful case C in the area of organizational integration.

Coding of cases

In the first step of our study, we obtained quantified measures of case A and B via the coding step of the case survey method.

Coding scheme. In order to be able compare our measurements with the cases in the Larsson & Finkelstein database (1999), we chose to make use of the same coding scheme. Rikard Larsson provided us with the coding scheme comprising of a questionnaire. Using questions that have been employed by other researchers provide a benefit since they have already been piloted and tested for validity and reliability (Bryman & Bell, 2011). The coding scheme had a total of 51 questions divided into sections corresponding to the variables in the theoretical framework (see Figure 1). The first section concerned sources of synergy and the potential to realize and actual realization of each source. Each section had a number of questions where the raters could reply on a Likert scale from 1 to 5 where 1 was very low and 5 was very high. There was also an option where the raters could choose ‘insufficient information’, denoted with 9. The entire coding scheme can be found in Appendix A. We decided to only make use of questions 1-44 due to the fact that the last seven questions required more detailed information that was unavailable in the case descriptions. We assessed that an attempt to code these questions would only reduce quality of data.

Coding procedure. The case studies were coded by two of the authors (Bjurström & Schreil). Using two raters saves resources and reduces the risk of low reliability, but has the weakness of equal number of votes to resolve discrepancy. More raters could have improved the interpretation of data and reduced the number of mistakes (Larsson, 1993). The two authors coded the cases separately and on different locations so that the authors could not influence one another. As suggested by Larsson (1993), the raters noted sections in the case text that they viewed as important for the coding and kept a list of page references to the text on each question. After finishing the coding, the two raters discussed their scores and agreed on a consensus score where inputs were different. Each of the two authors argued for their score before a consensus score was agreed upon. The specific research question was formulated after finalizing the coding, which reduced the risk of potential bias towards a certain direction in the coding process.

Coding quality was measured using interrater reliability. As suggested by Larsson (1993), this was calculated by using average pairwise percent agreement (APPA), defined as the number of pairwise identical codes divided by the total number of pair comparisons. The resulting percentage between 0 and 100 indicates how well the coding scores of the raters agree. If both raters have exactly the same coding, the interrater reliability is equal to 100 and if none of the scores are the same, the interrater reliability is equal to 0. Hence, the higher the interrater reliability, the higher the coding quality. Two-thirds agreement (~67%) is regarded as a satisfactory reliability (Larsson, 1993). In order to increase interrater reliability we collapsed question 5-15 concerning synergy sources into a 3-point-scale. This was done by translating the original coding in the 5-point-scale to a 3-point-scale via the rules in Table 2.

5-point-scale score	3-point-scale score
9, 1, 2	0
3	1
4, 5	2

Table 2. Translation rules between the 5-point Likert scale and the 3-point Likert scale.

The approach is described in Larsson (1993) and was also used in the original study by Larsson & Finkelstein (1999). We achieved an interrater reliability above two thirds for both cases in our study (see Appendix B).

Quantitative data analysis

The coded cases were summarized into two tables with the respective codes and the consensus code (see Appendix B). These were subsequently given to our supervisor Rikard Larsson who helped us to enter the data into his database, which calculated scores for each variable in the theoretical framework. The resulting scores between 1 and 5 were interpreted as very low to very high. For example, a score of 5 on organizational integration was interpreted as the merger was successful in the integration phase. As a result, we received a file with our case study scores aligned with case C and the average scores of all cross-border and domestic mergers respectively (see Appendix C).

Cross-sectional comparison with database

The results from the coding enabled a cross-case comparison between our cases and other cases in the database. The resulting scores between 1 and 5 were interpreted as very low to very high. For example, a score of 5 on organizational integration was interpreted as a successful integration phase for that particular merger. Deviations, called “diff” between case A/B and C/cross-border average were calculated by subtracting the scores from one another (see Appendix C). These were used to find contrasting variables between the cases.

Reliability and validity

The mixed method approach applied in this research study implies different levels of reliability and validity for different parts of the study.

Reliability. The nature of a qualitative study makes it difficult to replicate due to unstructured data relying on the researchers subjective interpretation (Bryman & Bell, 2011). However, our study has a quantitative element consisting of the case survey method. An obvious strength of case surveys is that they can be replicated because of the coding schemes and availability of the case studies to other researchers (Larsson, 1993). However, they may be subject to problems associated with subjective coding for all variables in a study (Larsson, 1999). Our test for interrater reliability showed, however, that the coding quality was sufficient in this study.

Internal validity is the strength of qualitative research (Bryman & Bell, 2011) due to the in-depth analysis of the relationship between observations and theory. The use of case studies implies access only to secondary data, which reduces the transparency of observations. However, we claim that the use of case studies increase the internal validity of this study since we make use of an established researcher's interpretation of primary data.

External validity can also be referred to as the ability to generalize our study to a broader context (Bryman & Bell, 2011). Overall, we claim a low degree of generalization for the qualitative part of our study due to the fact that we employ a case study with only three cases. However, the use of two unsuccessful cases and one successful case should increase the ability to use our findings on a broader set of M&As since we have tested our findings on contrasting cases. For the quantitative part of the study, we have compared our data with a database built on an established theoretical framework, which ensures that we have measured the right concepts (Bryman & Bell, 2011).

RESULTS

Both the Fokker-VFW and the Hoogovens-Hoesch mergers (Olie, 1996) were unsuccessful in the sense that the expected synergies were not realized and that they eventually were broken up into their original constituents. Some of the main external and internal factors behind these outcomes are described below. Then, a comparison with a successful cross-border M&A, Electrolux-Zanussi (Andersson et al., 1989), is presented to see if the same factors were present and if so, why it was possible to achieve a completely different outcome.

Case A: The Fokker-VFW merger

The aerospace industry is characterized by extremely high costs for R&D and production, and thereby very large risks, especially in the civil segment where orders are less predictable. Since firm size is important in order to reduce risks and spread fixed costs over larger production runs, a long range of M&As within European countries has taken place following World War II. There were also a number of cross-border collaborations and joint ventures such as Airbus in the civil segment and Starfighter in the military segment. By 1969, Fokker was the only Dutch company in the aerospace industry. Fokker operated mainly in the civil segment and had a respected sales organization and relatively cost efficient production. VFW was created through a merger between Weserflug and Fokker-Wulf in 1963, and accounted for two thirds of German aircraft industry capacity. VFW's main operations were in the military segment, the German state being its main customer, but VFW also developed a civil aircraft, the VFW 614. As a condition to provide financial aid, both the Dutch and German governments required Fokker and VFW, respectively, to seek partnership with other firms. The complementarity of Fokker's civil and VFW's military operations were seen as a good fit. They had also previously had a successful collaboration on the Starfighter project. The two firms merged in 1969.

General economic factors. The Fokker-VFW merger sustained considerable pressure due to a general economic recession in the 1970s and the oil crisis in 1973, which severely increased fuel price and thereby the operational costs of airline firms, who postponed or cancelled their orders of new airplanes. Another challenge for the European aerospace industry was its fragmentation along national lines and the lack of an integrated European aerospace policy and home market, especially compared to the more efficient US market.

State involvement. A potentially important factor behind the low integration effort is that the decision to merge was not primarily driven by strategic or operational motives. Seeking permanent partnerships with other firms in the industry was a condition of the Dutch and German governments for continued financial support to the new and expensive development projects Fokker F28 and VFW614, respectively. There were also other influences from the state, which were harmful for the merger. Fokker-VFW attempted to balance the employment situation by transferring some operations from the Netherlands to Germany. However for employment reasons The Dutch government ordered that all work on the military F-16 project to be kept in the Netherlands. Most major European governments displayed similar tendencies of national focus.

Managerial factors. A central management board was established for the combined firm with responsibility for policy making and implementation. However, this board was unable to exercise control of the operating companies, and give proper direction to the merger. The central board consisted of individuals with an external focus, with experience from high government or advisory board positions, but little technical or industrial management experience. Against seasoned managers in the national operating firms with a long industry careers, the board was not strong enough. There was a lack of integration leadership with both strength and skill to merge the different traditions and identities into a cohesive unity. Another sign of failed integration was a consultancy report that was established three years after the merger, which established that the lack of corporate identity was a core problem. Indeed, the original company names were kept, and the products continued to be marketed with the original product names and under separate brands. There were no common projects. The combined company had no meaning, neither in its own organization, nor to the outside world.

Union and worker participation. In 1976, the Co-Determination Act was passed in West Germany. By this time, the merger was already in very bad shape. But even if it had been more successful, the new law may have seriously restrained it. The law prescribed board parity between shareholders and representatives of the German workforce. Consequences would be that Germans would represent the Dutch work force and that with equal shareholding between Dutch and Germans, the board would be three quarters German. Both consequences were unacceptable to Fokker. Some solutions were proposed, but the merger was in effect already over.

Case B: Estel - the Hoogovens-Hoesch merger

There were two distinct trends in the steel industry in the 1960's. The first was a shift towards larger units to achieve economies of scale, which was a necessity to meet the increased overseas competition from the US and Japan, and also due to new production technologies with a higher minimum efficient scale. The second was a move towards coastal locations. Traditionally, production sites were situated close to mining areas in order to secure cheap deliveries. But with high-grade iron ore and coal becoming available from new producers overseas, and the cost of sea transportation declining, coastal locations became a competitive advantage. Hoogovens was the only Dutch steel producer, and hence needed to find a partner from another country in order to reach a competitive size. Hoesch, being one of several steel firms in Germany, needed not only to increase its production efficiency, but also access to a coastal location. Substantial synergies were expected through Hoogovens' coastal location and Hoesch's close access to a main industrial region. There was a complementary fit between Hoogovens' steel production and Hoesch's downstream steel processing operations. An investment policy for and coordination of overlapping steel production the between the two firms would also render substantial savings. The two firms merged in 1972.

General economic factors. Estel also suffered badly from severe macro-economic conditions. The steel crisis 1975 – 1983 put substantial strain on the integration of the original firms. The European steel industry suffered from loss of export markets to overseas competitors and experienced considerable over-capacity.

State involvement. Steel is an industry that is strongly connected to military and economic national independence, and also one, which employs tens of thousands of workers, often in regions structured around it. Therefore, during the steel crisis, European governments heavily subsidized many domestic steel enterprises. This policy, which was counter to EC regulations, prevented a needed rationalization of the European steel industry. Less efficient firms were maintained, which burdened more efficient firms. Estel eventually also applied for government help to support a major restructuring. However, it was rejected by the German state since it would mean using German funds to support a bi-national company.

Legal structure and cultural differences. Due to the absence of a European company law, a complex legal structure needed to be created, which maintained the operating companies in each country separate. A central holding company under Dutch law was established. The high integration intentions compared to Fokker-VFW were to be implemented through the use of co-ordination groups – an organizational setup different from the legal structure. However, this proved to be very difficult due to differences in national culture. The Germans seemed to attach far more importance to the legal structure and maintained loyalty only along those lines and to the national company. The legal construct also produced dual roles that were not conducive to integration. The national companies appointed representatives to the Estel supervisory board, and similar role problems existed in the coordination groups. The case study also bears testimony of substantial cultural differences in working practices that originates from national traditions, such as management style, decision making processes, the purpose of meetings and how to relate to decisions taken. Another issue described was nationalistic attitudes. The companies referred to one another as the Dutch and the Germans, not as Hoovogens and Hoesch.

Managerial factors. As in the Fokker-VFW merger, the integration leadership was not able to overcome the strong loyalties to the original national operating companies. The case study also indicates differences in both organizational and national culture as major obstacles to efficient integration. There was no experienced and charismatic integration manager that could bridge these differences or create a new corporate identity.

Union and worker participation. The unions and worker representation laws played an important role before and during the Estel years. Spurred by fears of foreign control and major restructuring by the more efficient steel operations of Hoogovens, the Hoesch worker union in Dortmund, as well as the worker representative in the board, the “Arbeitsleiter”, opposed many of the initiatives to create an integrated and efficient operating company. The differences between German and Dutch laws of worker participation also caused problems when creating the legal structure.

Comparison with a successful acquisition: Electrolux-Zanussi (case C)

Electrolux had since the mid-1960s pursued a growth strategy based on acquisitions. It was by the early 1980’s a large and diversified company, and one of the world’s largest manufacturers of home appliances, which counted for 52 percent of the group’s sales in 1984. By this time, Electrolux was looking for an acquisition to expand its appliance business and Zanussi was considered a very good fit, for example with a large market share in washing machines, where Electrolux was weak. Zanussi was an Italian home appliances firm that experienced considerable growth in the 1950s and 1960s. By 1984 however, it suffered from heavy losses and debts after a period of unrelated and unsuccessful diversification. The company needed fresh capital and searched for a partner. Electrolux's acquisition of Zanussi, which was formally completed in Dec 1984, was a success that exceeded the expectations of both Electrolux itself and outside analysts. Strategic, operational and organizational integration was achieved to a very high degree, and a Lit 120 billion loss in 1983 was turned into a Lit 60 billion profit in 1987.

State involvement. Both the Spanish and Italian government had programs for general employment, restructuring and worker training purposes, but the home appliance industry as such is not one of particular national interest or involvement from the state. There are no indications of government subsidies that disturbed competition or the incentives for operational or business excellence. The acquisition was made purely from a business perspective without pressure or conditions from any national government.

Managerial factors. With a record of over 200 acquisitions in 40 countries, Electrolux had tremendous experience in identifying target firms well as managing the acquisition and integration processes. The general practice, which was implemented also in the acquisition of Zanussi, was to move quickly early in the integration process. Top management was removed but middle management and marketing/sales staff retained. Task forces with representatives from both companies were created to identify synergies and key action points, to build relationships, and to foster management confidence, mutual understanding and enhance flow of information. Two Italians were brought in as chairman and managing director for Zanussi. The two had a long experience in industry and working with Swedish colleagues from turning around SKF's Italian operations, and they were an ideal team to bridge the vastly different cultures and management styles. Another example of successful integration activity was team-building activities which helped to overcome cultural distances, and that resulted in a common mission statement, values and guiding principles. Counter to reports from the Fokker-VFW merger, managers at mid-level who would did not support the mission statement and combined operations were openly by-passed – a clear signal that integration was not an optional objective. Finally, frequent visits by top management, who displayed skill, excitement and enthusiasm helped build mutual respect and assurance that Zanussi was not just a conquest but also rather a partnership.

Union and worker participation. The Zanussi unions were powerful, and at first opposed to being acquired by Electrolux. These concerns were met with assurances and commitments to retain important functions in Italy. There was an exchange between union leaders of Sweden and Italy, creating reassurance and insight to local production systems and labor relations. Also workforce reductions were accepted after a complete restructuring program based on a broad industry analysis, evaluation of Zanussi's competitive position and a detailed investment plan had been presented to the union leaders. The negotiations were characterized by openness from the management that was unusual in Italian industrial relations. Further constructive agreements were made with the unions, and the management of Zanussi had an open and transparent approach toward the unions and gained respect from the union leaders and contributed to success.

Cross-sectional analysis with database

The coding we performed of case A and B according to coding scheme used in Larsson & Finkelstein (1999) enabled us to make comparisons with other cases in the database. The resulting variable scores of case A and B are listed in Table 3 together with the scores for case C, the average score of cross-border M&As and the average score of domestic M&As (see also Appendix C for more details).

Variable	Case A	Case B	Case C	Cross-border average N=16	Domestic average N=45
Synergy realisation	1,1	1,1	3,1	2,0	1,6
Combination potential	3,0	3,0	3,7	3,3	3,0
Organizational integration	1,5	2,5	5,0	3,3	2,8
Employee resistance	3,5	3,5	2,5	2,3	2,8
Acculturation	1,0	1,0	4,0	2,6	2,6
Communication	1,0	2,0	5,0	3,8	2,9
Career implication	3,0	3,0	3,0	3,0	2,8

Table 3. Results of cross-sectional analysis.

As a general observation, the synergy realization and organizational integration scores of cross-border combinations were better than those of domestic combinations.

Synergy realisation was, as expected, low for case A and B. Both cases performed worse than cross-border average while case C performed better than cross-border average

Combination potential was close to average for cross-border mergers for case A and B while case C was slightly higher than cross-border average. This indicated that both case A and B had potential to realize synergies from the merger combination. However, as seen above, this potential was not realized.

Organizational integration scores differed a lot between case A/B and C, where case A and B performed lower than cross-border average and case C scored at a maximum 5.

Employee resistance for case A and B was higher than average and case C. However, case C also had a slightly higher score than average. The sub-variables Acculturation and Communication stood out as differing the most between case A/B and C. These variables also differed between case A/B and the cross-border average, but not as much as compared to case C.

ANALYSIS

Qualitative analysis

In the re-examination of the two case studies, we identified a number of themes that seemed to have important consequences for the organizational integration. In the terms by which they will be used as proposed components of our revised theoretical framework they were i) state involvement ii) legal obstacles, iii) national culture, iv) integration management, v) union power. These themes are summarized below with respect all three cases, and how they relate to their different outcomes.

State involvement*.* In cases A and B, state involvement was strong due to their respective industries being connected to national economic, technical and military independence as well as employment. It contributed negatively to organizational integration through the effects of national rather than European priority from the governments in a number of decisive situations. In case C state involvement was weak, and therefore had no impact on organizational integration.

Legal obstacles*.* Apart from a number problems of more practical nature, such as different accounting rules or tax effects, the impossibility to create a legal structure conducive to integration was a major obstacle in cases A and B. It reinforced employee loyalty to the original companies and hindered organizational integration. A dimension of national culture reinforced the effect since the Germans were more attached to the legal structure than to organizational structure created to enhance coordination and integration. The potential barriers indicated by Mazzolini (1975) are supported by our findings. These legal obstacles, especially legal structure became important problems in cases A and B since they were both mergers of parity between the original firms. This is what makes the difference compared to case C, which was a pure acquisition. The acquiring company had direct legal power and ability to create an organization that reinforced the desired level of organizational integration.

National culture. Although differences organizational culture can be a challenge also in domestic M&As, national culture adds another dimension to cross-border M&As (Olie, 1996). National traditions and culture influence the way people behave and interact, for example in management styles (Hofstede, 1984) and decision making processes, and it caused much frustration in cases A and B. The framework for measuring cultural distance by Hofstede (1984) explains the cultural differences between Germany and The Netherlands. Germany has stronger uncertainty avoidance, with a much higher need for formalization, which was causing challenges in the integration process in both case A and B. According to Hofstede (1984), the differences in need for formalization may lead to deep misunderstandings and inefficiencies when management skills are transferred between countries. Although management style similarity is included in the model of Larsson & Finkelstein (1999) and culture is included as a sub-variable to employee resistance (Larsson et al., 2004), the three cases provides support to include a measure of national cultural distance as proposed by Hofstede (1984). Also in case C, there were significant cultural differences, but these were managed in a much more successful way.

Integration management. The comparison between case A and B on one hand, and C on the other illustrates the diametric difference a strong and experienced integration management team can have. In case A and B, an indecisive leadership with little influence over the national companies, and seemingly little understanding of the importance of, and challenges to achieve corporate unity. In case C the acquiring company had a long experience of acquisitions and the integration was well prepared already before the deal was closed. The previous board was replaced with a team that had long experience in industrial management and an ideal background to understand and bridge cultural differences. They also managed union opposition in a very constructive way. This finding is consistent with the findings of Dikova & Sahib (2013), who concluded that cross-border acquisition performance is dependent on the level of acquisition experience of the acquirer: experienced cross-border acquirers are more likely to be aware of cultural differences. Teerikangas et al., (2011) highlights the role of the integration manager as a change agent and cultural carrier.

Union power. In all three cases, worker unions were significant players in the integration game, and their strength and ability to influence or even reject decisions by top management should be taken into account. A model component should include union strength in terms of size, organization and tradition, as well as legislation of worker representation and co-determination. The union opposition in cases A and B, well organized and also supported by national legislation, was difficult to manage, especially in the steel industry. Less detail is known about union opposition in case C, except that it was initially strong, but successfully managed by the acquiring firm.

Quantitative cross-sectional analysis

In our quantitative cross-sectional analysis we found contrasting scores in the different cases that supported the findings related to culture and integration management in the qualitative analysis.

Cross border average vs. domestic average. The first interesting observation was the differences between the synergy realization and organizational integration scores of cross-border M&As and domestic M&As. In spite of the various challenges involved with cross-border M&As found in the literature (e.g. Larsson et al., 2004; Mazzolini, 1975, Nahavandi & Malekzadeh, 1988), the average scores of the sub-set of cross-border M&As in the database were in general higher than those of the domestic M&As. This might imply that management in cross-border M&As are more prepared for the challenges associated with the different nationalities of the companies. Organizational integration and communication are the two variables that are differing mostly between cross-border and domestic M&As, which indicates that these two variables might explain why cross-border M&As are generally more successful than domestic M&As.

High potential in cases A and B, but low synergy realization. Even though the scores for case A and B on the variable combination potential were almost as high as case C and the cross-border average, the outcome of the mergers were still unsuccessful. The question is why. Our cross-sectional analysis showed that organizational integration stood out as a variable that differed greatly between the unsuccessful cases A/B and the successful case C. As seen in the theory, organizational integration plays an important role in synergy realization and has a direct effect on M&A performance (Larsson & Finkelstein, 1999). The low scores on organizational integration for case A and B could therefore be one of the key factors behind the unsuccessful outcome of the mergers, which supports the relevance of our research question.

Employee resistance. High employee resistance for case A and B can be explained by the two sub-variables acculturation and communication, which stood out as differing a lot between the cases. As we have seen in the literature, acculturation is the process of overcoming cultural barriers by performing certain activities as part of the integration process (Larsson & Lubatkin, 2001). We have also seen that the integration manager has an important role in this process, by functioning as a cultural carrier (Teerikangas et al., 2011). Communication to employees during the integration process seems to be of great importance to cross-border M&As according to the database. Not only is this variable a contrasting factor between success and failure, it is also higher for cross-border average than for domestic average. We claim that communication is also related to the integration manager in his role as change agent and knowledge transferor. The literature partly supports this by describing the integration manager as a person who should help to spur change, provide a link to top management and connect people (Teerikangas et al., 2011).

Interestingly, case C, our successful case, scored higher than the cross-border average to the largest extent on organizational integration, acculturation and communication. This is yet another indication that these three variables play an important role in the success of cross-border M&As.

Revised theoretical framework

Based on the empirical findings and the analysis above we think that the preliminary theoretical framework for cross-border M&As could benefit from being updated as illustrated in Figure 4.

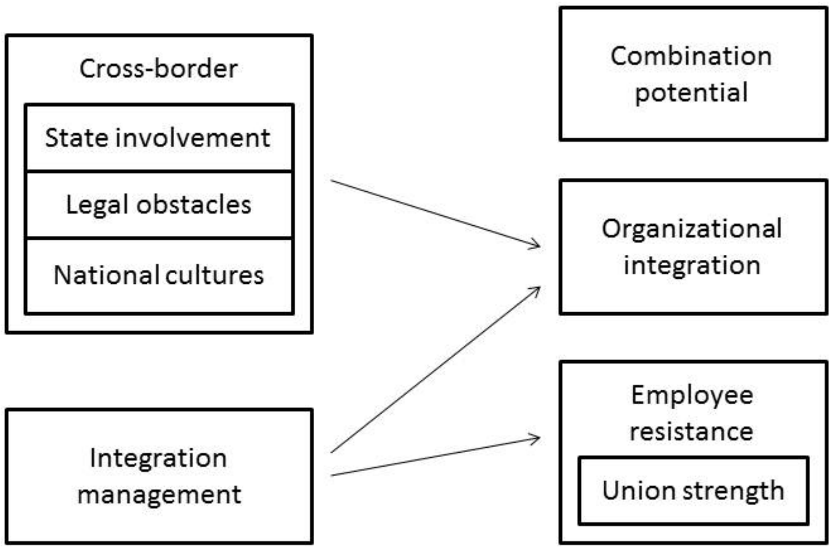

Figure 4. Revised theoretical framework.

In the original framework for M&A in general, the cross-border variable is present as a yes or no variable. In a framework specifically for cross-borders M&As, it should either be replaced with the new variables state involvement, legal obstacles and national culture, or transformed into a continuous variable composed of a weighted sum of these three as sub-components. We have found integration management as a very important factor in the three cases analyzed. But since the effectiveness of integration management is not unique to cross-border M&As it should be included as a separate variable not connected to the cross-border variable(s). Integration management acts in three ways: Directly and independently on organizational integration through a number of ways to forge the unified post-merger firm; by moderating the effects of differences in national culture and management styles; and by moderating employee resistance, both through ensuring constructive communication and acculturation (Larsson et al., 2004), and through effectively managing union opposition. Finally, union power is also suggested separately from the cross-border variable(s) to indicate that it may be relevant also for domestic mergers. If to a lesser extent, it will simply have a lower value. We see union power as an organization of, or extension of employee resistance, and it can be included as a sub-component of this variable.

CONCLUSION & DISCUSSION

In this study, we have found four factors influencing organizational integration in cross-border M&As: (i) state involvement (ii) legal obstacles, (iii) national culture and (iv) integration management. In addition, we have identified one factor that we believe influences employee resistance: union power. We have suggested how these five factors can be included in an integrated model of synergy realization by sketching a revised theoretical framework that can be regarded as an extension of the Larsson & Finkelstein (1999) model relevant for cross-border M&As.

We have found support for the importance of national culture, legal obstacles and integration management in cross-border M&As both in the literature (Dikova & Sahib, 2013; Hofstede, 1984; Mazzolini, 1975; Terrikangas et al., 2011) and in the qualitative as well as the quantitative analysis. For this reason, we claim that these findings rest on solid ground. It is our recommendation though, that these factors should be quantitatively tested in a modified coding scheme in a case survey study on a larger sample of cases. The variables state involvement and union strength emerged from the qualitative analysis and requires further qualitative investigations with a larger sample of cases; unsuccessful as well as successful cross-border M&As. Should this investigation support our findings, we recommend a similar quantitative approach as mentioned above to test these findings.

Our comparison between the average scores of domestic and cross-border M&As in the Larsson & Finkelstein (1999) database showed that cross-border M&As had a higher organizational integration on average than domestic M&As. This finding might seem contrary to our research purpose, where we anticipate that there are barriers to organizational integration in cross-border M&As. However, it should be noted that the sample of cross-border M&As in the database is only 16, and there is a possibility that the sample is biased towards successful M&As. Another explanation, as noted in the analysis, might be that the managers in cross-border M&As are more culturally aware and prepared for cultural conflicts (Larsson & Lubatkin, 2001). This only supports our findings that the integration manager plays an important role in cross-border M&As.

This study has some limitations worth noting. First of all, we have used secondary data from case studies in our analysis. This carries a risk of missing out on important primary data and we have not had the chance to get back to the source to ask follow-up questions, which could have helped us in confirming our findings. Furthermore, the author of case A and B is of Dutch nationality, which induces a risk of subjectivity in the description of challenges in the cases, especially those out of cultural nature. A second limitation in the selection of cases is the number of cases studied. We have only studied two unsuccessful cases and one successful case. A larger sample, at least one more successful case, could have contributed to a higher validity of our findings. However, we believe that a major benefit of using existing case studies for secondary analysis was that we could avoid the tedious work of interpreting and structuring primary data, by re-using work from an established researcher, who probably has more developed data interpretation skills than students. If we had chosen to collect primary data ourselves, we probably could only have studied one or maximum two cases due to resource limitations. Studying cross-border M&As would probably also have implied travelling between countries. For the above reasons, we believe that the use of case studies only presented us with a larger opportunity to make a cross-sectional case study with higher validity of the findings.

A third and final limitation related to our empirical data is the age of the cases. Case A and B took place in the 1970's, while case C took place in the 1980's. One could question how this affects the relevance of our findings for today and the future. In spite of the age of our cases, we find support for our findings also in recent literature such as Teerikangas et al., (2011) and Dikova & Sahib (2013), which supports the relevance of our conclusions. The variable legal obstacles might be less of a barrier in Europe today, since EU has become much stronger and new legislations have been passed (Siems, 2005). However, in cross-border M&As between countries who are not part of EU, this is still a relevant barrier.

Finally, we believe that our contribution to M&A research is two-fold: (1) we have pointed at important factors for organizational integration in cross-border M&As and (2) attempted to include them in an integrated framework. We have done this with an acceptable level of reliability and validity with a relevant sample of cases and suggested ways of testing our findings in future research.

ACKNOWLEDGEMENTS

We would like to thank our supervisor Rikard Larsson who provided us with the empirical data and the coding schemes used by his company Decision Dynamics. In addition, he helped us to calculate scores from the coding schemes and to extract data from the database of his previous study (Larsson & Finkelstein, 1999).

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APPENDIX A – CODING SCHEME

Decision Dynamics

Decision Dynamics

M&A Performance Case Survey

This questionnaire is designed to measure the strategic, organizational, human resource, and management potentials and performance of mergers, acquisitions (M&A), and alliances. It can be answered based on (i) personal observations of involved practitioners and/or (ii) through interviews with involved practitioners.

Please answer all the following 51 questions. Then return the whole questionnaire.

1. a) Your "focal" merger, acquisition or alliance:___________________________________

   b) This combination started in: _____________ and observation ended in:______________

   c) Your name:____________________________ & position:_______________________

   d) Your past experience with how many other mergers & acquisitions:____ & alliances___

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2. Estimate relative size defined as:
$$\frac{\text{annual sales of bigger firm}}{\text{annual sales of smaller firm}} =$$
of the year of or prior to the legal combination (if sales not available use total assets, if also not available use total number of employees).

- 1 - ☐ $1.0 \leq x < 1.5$
- 2 - ☐ $1.5 \leq x < 3.0$
- 3 - ☐ $3.0 \leq x < 6.0$
- 4 - ☐ $6.0 \leq x < 10.0$
- 5 - ☐ $10.0 \leq x$
- 9 - ☐ Insufficient info

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3. Estimate the production relationship between the joining firms. Their closest related* major production is mainly

   *(If one or more firms have more than one major production, choose the closest related combination where closeness is defined by the numerical order of the given positions).

- 1 - ☐ Unrelated (ie. neither long linked, nor similar, nor identical as defined below).
- 2 - ☐ Long-linked (ie. the output of one firm correspond to the input of the other).
- 3 - ☐ Similar (ie. one or two of the categories input/suppliers, process, and output are similar
- 4 - ☐ Identical (ie. same input and same process and same output).
- 9 - ☐ Insufficient info

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4. Please write the main industry type of:

   a) the acquiring firm: __________

   b) the acquired firm: __________

c) How similar are the firms' industry types?

- 1 - ☐ Very different
- 2 - ☐
- 3 - ☐ Moderately similar
- 4 - ☐
- 5 - ☐ Very similar
- 9 - ☐ Insufficient info

Decision Dynamics

S y n e r g y

Synergy is a difficult concept to measure. This is solved by breaking it down into 10 sources (with an optional extra source to cover possible not enumerated sources) that will be coded for both their potential and their actual realization.

Synergy potential is defined as the potential benefits (here in terms of reduced cost per unit, enabled price increases, joint sales increases, and learned know-how) from interaction between the joining firms given optimal integration of them. Observe that the synergy potential variables refer to the actual potential and not false beliefs that later turn out to be surprising underestimations or overestimations impossible to realize no matter how good integration.

Synergy realization is defined as the actual benefits (reduced cost per unit, etc) created by the interaction between the joining firms. Observe that the synergy realization variables are not estimations of how many % synergy potentials that were realized – full realization (ie. 100%) of a low amount of synergy potential is still considered as low (amount of) synergy realization. The total amount of synergy realization can be inferred from improvements of the joint performance that is not explained by other factors than the interaction between the joining firms (strong overall growth of the economy would be one such "other factor"). Thus, maintained performance in a situation of deteriorating market conditions and industry decline can indicate significant synergy realization if it is not explained by still other factors. Furthermore, very low synergy potential can be used to infer very low synergy realization (like if it is obvious that there was no synergy to be realized).

The probably most important indications of synergy potentials and realization is when the same amount of work could be, respectively was done jointly by less number of employees compared with separately before the combination.

The magnitude of potential and realized benefits in terms of positive changes in costs per unit, prices, and joint sales can be distinguished according to the list to the right. It is only a loose guideline to give an idea of different magnitudes, since these percentages are seldom given.

Very low = around 0 %
Low = around + 1 %
Medium = around + 2 %
High = around + 3 %
Very high = around + 4 %

Synergy source:	Estimate potential amount of benefits:	Estimate realized amount of benefits:
Consolidated purchase of input in order to reduce purchase price/cost per unit (like through volume rebates).	5a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info
Consolidated production in in order to reduce production cost per unit (like utili-zation of excess capacity)	6a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info

Synergy source:	Estimate <u>potential</u> amount of benefits:	Estimate <u>realized</u> amount of benefits:
Consolidated <u>marketing</u> in order to reduce marketing cost per unit (like integrated sales force with fewer employees).	7a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info
Consolidation <u>competitor</u> in in order to increase market power by reducing competition and thereby being able to command higher prices (without losing corresponding volume)	8a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info
Consolidated <u>administration</u> (incl. Finance) in order to reduce adm. overhead per unit (like elimination of duplicated head-offices).	9a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info
Consolidation of possible <u>supplier or customer</u> in order to reduce transaction cost per unit (like elimination of intermediate storage, marketing, and purchasing).	10a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info
<u>Access</u> to new geographic market(s) through the other firm's established local sales organization in order to increase joint sales.	11a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info
<u>Cross-selling</u> of complementary products to joint customers in order to increase joint sales.	12a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info

Synergy source:	Estimate potential amount of benefits:	Estimate realized amount of benefits:
Transfer of existing know-how to one firm from the other(s) in order for the first firm to manage its operations more effectively. If more than one firm learn useful know-how from the other(s)	13a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info

code the firm that learn the most and adjust its code one position (numerically) higher if the other firm(s) also learn significantly (around medium or more).
*(like resulting in a major change in how operations are performed)

Creation of new know-how from the interaction between the joining firms that one firm can use in order to manage its operations more effectively. If more than one	14a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info

firm could/did learn new useful know-how, code according previous source's instruction.

Other substantial source of synergy between the joining firms that is of significance to the estimation of the total amount of synergy potential and realization of the combination.	15a. 1 - ☐ Very low 2 - ☐ 3 - ☐ Medium 4 - ☐ 5 - ☐ Very high 9 - ☐ Insufficient info	b. 1 - ☐ Very low 2 – ☐ 3 - ☐ Medium 4 – ☐ 5 - ☐ Very high 9 - ☐ Insufficient info

16. Estimate the similarity of production operations between the joining firms based primarily on their input, process, and product types.
    - 1 - ☐ Very low (like different inputs, processes & products)
    - 2 - ☐
    - 3 - ☐ Moderate (like some same inputs, proc. a/or prod.)
    - 4 - ☐
    - 5 - ☐ Very high (like same inputs, processes & products)
    - 9 - ☐ Insufficient information for coding

17. Estimate the complementarity of production operations between the joining firms in terms of the extent to which their different production capabilities fit each other and can thereby be transferred between them, eg vertical economies between firms with long-linked technologies
    - 1 - ☐ Very low (like very little output of one could become the input of the other)
    - 2 - ☐
    - 3 - ☐ Moderate (like some output could become input)
    - 4 - ☐
    - 5 - ☐ Very high (like much output could become input)
    - 9 - ☐ Insufficient information for coding

Decision Dynamics

18. Estimate the similarity of marketing operations between the joining firms based primarily on their geographic markets, customer groups, and main products.	1 - ☐ Very low (like different markets, cust. groups & prod.) 2 - ☐ 3 - ☐ Moderate (like either same markets or cust. & prods) 4 - ☐ 5 - ☐ Very high (like same markets, cust.groups & prod.) 9 - ☐ Insufficient information for coding
19. Estimate the complementarity of marketing operations between the joining firms in terms the extent to which their different marketing capabilities fit each other and can thereby be transferred between the different markets and products of the two firms.	1 - ☐ very low (like very little potential cross- and new market access) selling 2 - ☐ 3 - ☐ moderate (like some potential cross-sell & new access) 4 - ☐ 5 - ☐ very high (like much potential cross-sell & new access) 9 - ☐ insufficient information for coding
20. Estimate amount of operational interaction between the joining firms during the integration period in relation to the total amount of activity in the acquired firm (like the creation of everyday material- (in services also information-), and cash-flows between the firms and/or restructuring resulting in more permanent transfers of products, facilities, personnel and other resources between the firms).	1 - ☐ Very low relative to total activity in acquired firm. 2 - ☐ 3 - ☐ Medium relative to total activity in acquired firm. 4 - ☐ 5 - ☐ Very high relative to total activity in acquired firm. 9 - ☐ Insufficient info
21. Estimate amount of coordinative effort expended to enhance synergy realization by adjusting the operational interaction between the joining firms. This can be interfered from the amount of utilization of coordination mechanisms across the joining like special integrators, transition teams, management info systems, integration plans, senior management involvement,	1 - ☐ Very low (like few mechanisms little used) 2 - ☐ . 3 - ☐ Medium (like few mech - much used, some mech - some used, many mech - little used) 4 - ☐ 5 - ☐ Very high relative to total activity in acquired firm. 9 - ☐ Insufficient info

"The Human Side"

Employee resistance is a key variable of "the human side" of M&A. It is here defined as the active and passive opposition by (primarily acquired) employees against the combination and integration processes with the other (acquiring) firm. Examples of employee resistance are vocal opposition (voice), symbolic opposition (like anti-acquirer posters), voluntary exits, absenteeism, passivity, and sabotage.

22. Estimate average acquired employee resistance against the integration process with the acquiring firm during the first half of the studied integration period.	1 - ☐ Very low (like almost no opposition by most employees). 2 - ☐ 3 - ☐ Medium (like some opposition by most employees). 4 - ☐ 5 - ☐ Very high (like very strong opposition by most employees). 9 - ☐ Insufficient info

Decision Dynamics

23. Estimate average acquired employee resistance against the continued integration process with the acquiring firm during the second half of the studied integration period.
    1 - ☐ Very low (like almost no opposition by
    2 - ☐ most employees).
    3 - ☐ Medium (like some opposition by
    4 - ☐ most employees).
    5 - ☐ Very high (like very strong opposition by most employees).
    9 - ☐ Insufficient info

---

24. Estimate level of achieved acculturation (defined as the development of jointly shared meanings fostering cooperation between the joining firms) towards the end of the studied integration period. The more remaining cultural clash between the firms (like we-they polarization and remaining or even strengthened old company spirit), the less acculturation has been achieved.
    1 - ☐ Very low (like continued strong cultural clash
    2 - ☐ and almost no merged joint org cult).
    3 - ☐ Medium (like some cont cult clash & some
    4 - ☐ emerged joint org cult).
    5 - ☐ Very high (like an emerged strong joint org cult & almost no remaining cult clash).
    9 - ☐ Insufficient info

---

25. Estimate degree of managerial style similarity between the joining firms at the beginning of the integration phase. Managerial style is here viewed in terms of degrees (high vs. low) of formality, employee participation, and any other dimensions emphasized by the employees.
    1 - ☐ Very low (like no similar characteristics).
    2 - ☐
    3 - ☐ Medium (around half of dim having
    4 - ☐ similar degree).
    5 - ☐ Very high (around all of dim having cult & almost no remaining cult clash).
    9 - ☐ Insufficient info

---

26. Estimate degree of true communication by the acquiring firm to the average acquired employees about the integration during the studied integration period, like revealing integration plans beforehand and no broken promises (ie. no withholding or giving false information).
    1 - ☐ Very low (like almost no true info to
    2 - ☐ acquired employees).
    3 - ☐ Medium (like some true info to
    4 - ☐ acquired employees).
    5 - ☐ Very high (like almost completely rich & true communication).
    ☐ 9 - Insufficient info

---

27. Estimate overall career implications for average acquired employees in terms of positive or negative effects on their future work lives from the combination and subsequent integration.
    1 - ☐ Very negative (like almost only strongly unfavorable consequences for most employees'
    2 - ☐ continued work situations).
    3 - ☐ Ambivalent (like a balanced mix of pos & neg or no consequences for most employees'
    4 - ☐ continued work lives).
    5 - ☐ Very positive (like almost only strongly favorable consequences for most employees' continued work lives after the combination).
    9 - ☐ Insufficient info

---

28. Estimate change in amount of work that average acquired employees were required to contribute to the joint firm during the studied integration period compared with before the combination.

1 - ☐ Strong decrease.
2 - ☐
3 - ☐ About the same as before.
4 - ☐
5 - ☐ Strong increase.
9 - ☐ Insufficient info

---

29. Estimate change in rewards (both extrinsic from pay & benefits and intrinsic from the work itself) for the average acquired employees during the studied integration period compared with before the combination. (Pay can be weighted the most and intrinsic work the least unless case suggest otherwise.)

1 - ☐ Strong decrease (like pay cuts, loss of employee
2 - ☐ benefits, and disrupted or less interesting work.
3 - ☐ About the same as before (like no or
4 - ☐ canceled out changes).
5 - ☐ Strong increase (like pay raises, improved benefits and more interesting work).
9 - ☐ Insufficient info

---

30. Estimate change in job security for average acquired employees due to the combination.

1 - ☐ Strong decrease (like actual or threatening lay offs,
2 - ☐ shutdowns or sell offs).
3 - ☐ About the same as before (like + & - or 0).
4 - ☐
5 - ☐ Strong increase (like rescue from previously threatening lay offs, increased profitability, and expansion).
9 - ☐ Insufficient info

---

31. Estimate change in advancement opportunities for average acquired employees due to the combination.

1 - ☐ Strong decrease (like merging 2 hierarchies into one resulting in mostly relative
2 - ☐ demotions).
3 - ☐ About the same as before (like balanced + & - or little change).
4 - ☐
5 - ☐ Strong increase (like rescue from a declining situation and access to possible advancement in larger firm).
9 - ☐ Insufficient info

---

32. Estimate change in percentage annual overall employee turnover for the acquired employees during the studied integration period compared with before the combination.

1 - ☐ Strong decrease (to around less than a third of
2 - ☐ prior %).
3 - ☐ About the same as before (around less than a
4 - ☐ quarter + or - change).
5 - ☐ Strong increase (around more than tripled).
9 - ☐ Insufficient info

---

33. Estimate the acquiring firm's intermediate evaluation of the acquisition at around half of the studied integration period in terms of its satisfaction with the combination and subsequent integration up to that (half) point in time.

1 - ☐ Very dissatisfied (like failing to fulfill even the minimal expectations).
2 - ☐
3 - ☐ Ambivalent (like indifferent or balanced mix of satisfactions).
4 - ☐
5 - ☐ Very satisfied (like exceeding even the most optimistic expectations).
9 - ☐ Insufficient info

Decision Dynamics

34. Estimate the actually sold off share of the acquired firm during the studied integration period.

1 - ☐ Very low (around ≤ 10%).
2 - ☐
3 - ☐ Medium (around 25 – 45%).
4 - ☐
5 - ☐ Very high (around ≥ 75%)
9 - ☐ Insufficient info

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35. Estimate the speed of the integration process, as indicated by how fast the intended degree of operative integration and change were achieved after the legal combination.

1 - ☐ Very slow (eg, long waiting, small steps, major delays)
2 - ☐
3 - ☐ Moderate (eg, partly fast, some delays)
4 - ☐
5 - ☐ Very fast (eg, immediate major steps, very few delays)
9 - ☐ Insufficient information for coding

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36. To what extent was a long-term orientation emphasized during the integration process, as indicated by long-range planning, deliberate long-lasting solutions, sustainable joint value creation, etc?

1 - ☐ Very little (eg, almost only short-term actions)
2 - ☐
3 - ☐ Moderate (eg, some long-term considerations)
4 - ☐
5 - ☐ Very much (eg, strong long-term focus)
9 - ☐ Insufficient information for coding

---

37. To what extent were the joining sales forces integrated during the studied integration period?

1 - ☐ Very little (eg, kept completely separate from one another)
2 - ☐
3 - ☐ Moderate (eg, some combinations of sales people)
4 - ☐
5 - ☐ Very much (eg, complete consolidation into one sales organi.
9 - ☐ Insufficient information for coding

---

38. To what extent had the average sales people to learn and sell for them new products during the first half of the stud.int.period?

1 - ☐ Very little (eg, almost all kept selling known products)
2 - ☐
3 - ☐ Moderate (eg, some had to learn and sell some new products)
4 - ☐
5 - ☐ Very much (eg, many had to learn and sell mostly new products)
9 - ☐ Insufficient information for coding

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39. To what extent were the brand(s), products, and sales people of the acquirer/largest firm retained in the joint firm during the (a) first and (b) last halves of the studied integration period?

a) first half of the studied integr.period	b) last half of stud.p
1 - ☐ Very little (eg, almost none k.)	1 - ☐ Very little
2 - ☐	2 - ☐
3 - ☐ Moderate (eg, some kept)	3 - ☐ Moderate
4 - ☐	4 - ☐
5 - ☐ Very much (eg, almost all kept)	5 - ☐ Very much
9 - ☐ Insufficient info.	9 - ☐ Insuff.info.

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40. To what extent were the brand(s), products, and sales people of the acquired/smallest firm retained in the joint firm during the (a) first and (b) last halves of the studied integration period?

a) first half of the studied integr.period	b) last half of stud.p
1 - ☐ Very little (eg, almost none k.)	1 - ☐ Very little
2 - ☐	2 - ☐
3 - ☐ Moderate (eg, some kept)	3 - ☐ Moderate
4 - ☐	4 - ☐
5 - ☐ Very much (eg, almost all kept)	5 - ☐ Very much
9 - ☐ Insufficient info.	9 - ☐ insuff.info.

Decision Dynamics

41. To what extent were new joint brand(s) & products created and new sales people hired that were different from either of the joining firms during the (a) first and (b) last halves of the studied integration period?	a) first half of the studied integr.period		b) last half of stud.p
	1 - ☐ Very little (eg, almost no new)		1 - ☐ Very little
	2 - ☐		2 - ☐
	3 - ☐ Moderate (eg, some new)		3 - ☐ Moderate
	4 - ☐		4 - ☐
	5 - ☐ Very much (eg, almost all new)		5 - ☐ Very much
	9 - ☐ Insufficient info.		9 - ☐ Insuff.info.
42. How did the customers react to the combination in terms of uncertainty, threats vs opportu-nities, and satisfaction during the (a) time of legal combination, (b) middle, and (c) end of the studied integration period?	a) time of legal combination	b) middle of stud.per.	c) end of studied integration period
	1 - ☐ Very negative	1 - ☐	1 - ☐ Very neg.
	2 - ☐	2 - ☐	2 - ☐
	3 - ☐ Ambivalent	3 - ☐	3 - ☐ Ambivalent
	4 - ☐	4 - ☐	4 - ☐
	5 - ☐ Very positive	5 - ☐	5 - ☐ Very pos.
	9 - ☐ Insufficient info.	9 - ☐	9 - ☐ Insuff.info.
43. How was the sales performance of the joint firm affected by the combination around the (a) middle (relative to the sum of the separate sales before comb) and (b) end (relative to the joint sales of the first half) of the studied int.period?	a) middle of the studied integr.period		b) end of stud.per.
	1 - ☐ Strong decrease		1 - ☐ Strong decr.
	2 - ☐		2 - ☐
	3 - ☐ About the same as before		3 - ☐ About same
	4 - ☐		4 - ☐
	5 - ☐ Strong increase		5 - ☐ Strong incre
	9 - ☐ Insufficient info.		9 - ☐ Insuff.info.
44. How was the financial performance of the joint firm affected by the combination around the (a) middle (relative to the sum of the separate profits before comb) and (b) end (relative to the joint profit of the first half) of the studied int.period?	a) middle of the studied integr.period		b) end of stud.per.
	1 - ☐ Strong decrease in profits		1 - ☐ Strong decr.
	2 - ☐		2 - ☐
	3 - ☐ About the same as before		3 - ☐ About same
	4 - ☐		4 - ☐
	5 - ☐ Strong increase in profits		5 - ☐ Strong incre
	9 - ☐ Insufficient info.		9 - ☐ Insuff.info.

APPENDIX B – CODING OF CASE A & B

1	**a**	Fokker-VFW							
	b	1969-1980							
	c	Anders, Eva Students							
	d							**69%**	**72%**
		Coding 5-point scale			**Coding partly 3-point scale**			**IRR**	
Question		**Anders**	**Eva**	**Consensus**	**Anders**	**Eva**	**Consensus**	**5-point**	**partly 3-point**
2		2	2	2	0	0	0	1	1
3		4	3	4	2	1	2	0	0
4		5	5	5	2	2	2	1	1
5	**a**	3	5	4	1	2	2	0	0
	b	1	1	1	0	0	0	1	1
6	**a**	4	4	4	2	2	2	1	1
	b	1	1	1	0	0	0	1	1
7	**a**	4	5	4	2	2	2	0	1
	b	3	3	3	1	1	1	1	1
8	**a**	3	4	4	1	2	2	0	0
	b	2	2	2	0	0	0	1	1
9	**a**	2	4	3	0	2	1	0	0
	b	1	2	2	0	0	0	0	1
10	**a**	1	1	1	0	0	0	1	1
	b	1	1	1	0	0	0	1	1
11	**a**	3	5	4	1	2	2	0	0
	b	2	3	2	0	1	0	0	0
12	**a**	3	4	3	1	2	1	0	0
	b	2	2	2	0	0	0	1	1
13	**a**	3	3	3	1	1	1	1	1
	b	1	1	1	0	0	0	1	1
14	**a**	9	9	9	0	0	0	1	1
	b	9	9	9	0	0	0	1	1
15	**a**	9	9	9	0	0	0	1	1
	b	9	9	9	0	0	0	1	1
16		4	5	4	4	5	4	0	0
17		2	2	2	2	2	2	1	1
18		2	2	2	2	2	2	1	1
19		4	5	4	4	5	4	0	0
20		1	2	2	1	2	2	0	0
21		1	2	1	1	2	1	0	0
22		3	4	3	3	4	3	0	0
23		4	5	4	4	5	4	0	0
24		1	1	1	1	1	1	1	1
25		3	3	3	3	3	3	1	1
26		1	1	1	1	1	1	1	1
27		3	3	3	3	3	3	1	1
28		3	2	2	3	2	2	0	0
29		9	9	9	9	9	9	1	1
30		3	2	3	3	2	3	0	0
31		3	4	3	3	4	3	0	0
32		9	9	9	9	9	9	1	1
33		1	1	1	1	1	1	1	1
34		1	1	1	1	1	1	1	1
35		1	1	1	1	1	1	1	1
36		9	9	9	9	9	9	1	1
37		4	4	4	4	4	4	1	1
38		3	3	3	3	3	3	1	1
39	**a**	5	5	5	5	5	5	1	1
	b	5	3	4	5	3	4	0	0
40	**a**	5	5	5	5	5	5	1	1
	b	5	5	5	5	5	5	1	1
41	**a**	1	1	1	1	1	1	1	1
	b	1	1	1	1	1	1	1	1
42	**a**	9	9	9	9	9	9	1	1
	b	9	9	9	9	9	9	1	1
	C	9	9	9	9	9	9	1	1
43	**a**	9	9	9	9	9	9	1	1
	b	3	3	3	3	3	3	1	1
44	**a**	1	1	1	1	1	1	1	1
	b	1	1	1	1	1	1	1	1

1 a Hoogovens-Hoesch
b 1972-1982
c Anders, Eva Students
d

	Coding 5-point scale			Coding partly 3-point scale			IRR	
							69%	75%
Question	**Anders**	**Eva**	**Consensus**	**Anders**	**Eva**	**Consensus**	**5-point**	**partly 3-point**
2	2	2	2	0	0	0	1	1
3	3	3	3	1	1	1	1	1
4	4	4	4	2	2	2	1	1
5 a	3	4	3	1	2	1	0	0
b	3	3	3	1	1	1	1	1
6 a	4	5	5	2	2	2	0	1
b	2	1	2	0	0	0	0	1
7 a	4	4	4	2	2	2	1	1
b	2	2	2	0	0	0	1	1
8 a	3	4	3	1	2	1	0	0
b	2	2	2	0	0	0	1	1
9 a	3	4	3	1	2	1	0	0
b	2	3	2	0	1	0	0	0
10 a	3	3	3	1	1	1	1	1
b	2	2	2	0	0	0	1	1
11 a	4	5	4	2	2	2	0	1
b	9	9	9	0	0	0	1	1
12 a	4	5	4	2	2	2	0	1
b	1	1	1	0	0	0	1	1
13 a	3	4	3	1	2	1	0	0
b	2	2	2	0	0	0	1	1
14 a	9	9	9	0	0	0	1	1
b	9	9	9	0	0	0	1	1
15 a	9	9	9	0	0	0	1	1
b	9	9	9	0	0	0	1	1
16	3	4	3	3	4	3	0	0
17	3	3	3	3	3	3	1	1
18	2	3	2	2	3	2	0	0
19	3	4	4	3	4	4	0	0
20	2	1	2	2	1	2	0	0
21	3	3	3	3	3	3	1	1
22	3	3	3	3	3	3	1	1
23	4	5	4	4	5	4	0	0
24	1	1	1	1	1	1	1	1
25	1	2	2	1	2	2	0	0
26	2	9	2	2	9	2	0	0
27	3	3	3	3	3	3	1	1
28	3	3	3	3	3	3	1	1
29	9	9	9	9	9	9	1	1
30	2	2	2	2	2	2	1	1
31	3	3	3	3	3	3	1	1
32	9	9	9	9	9	9	1	1
33	2	2	2	2	2	2	1	1
34	1	1	1	1	1	1	1	1
35	2	1	1	2	1	1	0	0
36	9	3	3	9	3	3	0	0
37	2	2	2	2	2	2	1	1
38	2	1	1	2	1	1	0	0
39 a	5	5	5	5	5	5	1	1
b	5	5	5	5	5	5	1	1
40 a	5	5	5	5	5	5	1	1
b	5	5	5	5	5	5	1	1
41 a	1	1	1	1	1	1	1	1
b	1	1	1	1	1	1	1	1
42 a	9	9	9	9	9	9	1	1
b	9	9	9	9	9	9	1	1
C	9	9	9	9	9	9	1	1
43 a	9	9	9	9	9	9	1	1
b	9	9	9	9	9	9	1	1
44 a	1	1	1	1	1	1	1	1
b	1	1	1	1	1	1	1	1

APPENDIX C – DATABASE CODES AND COMPARISONS

Data input to Bjurström, Rasmusson & Schreill's candidate thesis on M&A

Scales are adjusted to a common 5-point scale to increase visual comparability

Cases:	Focker-VFW	Diff	Diff	Hoogovens-Hoesch	Diff	Diff	Electrolux-Zanussi	Diff	Cross-border average*	Diff	Domestic average*
Variables:	A	A vs C	A vs cross-border avg	B	B vs C	B vs cross-border avg	C	C vs cross-border avg		cross-border vs domestic	
Synergy realization	1,1	-2,0	-0,9	1,1	-2,0	-0,9	3,1	1,1	2,0	0,4	1,6
Combination potential	3,0	-0,7	-0,3	3,0	-0,7	-0,3	3,7	0,4	3,3	0,3	3,0
Organizational integration	1,5	-3,5	-1,8	2,5	-2,5	-0,8	5,0	1,7	3,3	0,5	2,8
Employee resistance	3,5	1,0	1,2	3,5	1,0	1,2	2,5	0,2	2,3	-0,5	2,8
Acculturation	1,0	-3,0	-1,6	1,0	-3,0	-1,6	4,0	1,4	2,6	0,0	2,6
Communication	1,0	-4,0	-2,8	2,0	-3,0	-1,8	5,0	1,2	3,8	0,9	2,9
Career implications	3,0	0,0	0,0	3,0	0,0	0,0	3,0	0,0	3,0	0,2	2,8

*=from the 61 cases in Larsson & Finkelstein (1999).
Diff = difference in scores, calculated by subtracting the scores from one another.
Grey = 3 largest deviations excluding synergy relalization which is dependant on the other variables.