



LUND UNIVERSITY
School of Economics and Management

Trust in Mergers & Acquisitions

A Case Study on the Formation of Trust in the Integration Process

By Sebastian Lykke Skafte Andersen & Adam Bogefors

June 2019

Master's Programme in International Strategic Management

Lund University School of Economics and Management

Supervisor: Dr. Rikard Larsson

Abstract

While research has been focusing on the human side of mergers and acquisitions (M&A's), research on trust specifically is still an emerging field. Conducting M&A's and integrating companies introduces major changes for the acquired employees, making trust a critical factor to consider and to conduct research upon. In order to gain an in-depth understanding of the phenomena of trust, we studied the 2016 acquisition of the American company California Oils by Swedish AAK, two companies operating within the value-added ingredients industry. We aligned ourselves with the interpretivist paradigm and conducted an exploratory study using qualitative methods, such as semi-structured interviews of AAK senior and executive management staff close to the acquisition and integration process. Stahl et al's (2011) analytical framework was used, where data analysis codes consisted of relationship history, process variables, ability, integrity & benevolence, openness, interfirm distance, culture, and value congruence as well as job security, perceived benefits, and social controls to assess how trust was established by the acquiring company's management. The findings revealed that job security and perceived benefits must be addressed both at speed and with quality, suggesting that the contemporary framework by Stahl et al (2011) must find a way to incorporate these findings, which in turn will enable practitioners to establish trust in the integration phase of future M&A deals.

Keywords: M&A, trust, integration, job security

Acknowledgements

Thank you, Dr. Rikard Larsson for your guidance and support.

Thank you, interviewees at AAK for giving us valuable input.

Thank you, friends and family for support.

Table of Contents

1. Introduction.....	1
1.1 Background and Motivation for Research	2
1.2 Research Questions and Purpose	3
1.3 Demarcations	4
2. Literature review.....	6
2.1 Competitive Advantage, Growth, and the Realm of Mergers & Acquisitions	6
2.1.1 Competitive Advantage and Growth Strategies	6
2.1.2 Mergers & Acquisitions.....	7
2.2 The Complications of Trust	12
2.2.1 Early Frameworks on Resistance	12
2.2.2 The Role of National Context in Mergers & Acquisitions and Trust-building	14
2.3 Chapter Summary	21
3. Methodology	22
3.1 Research Design.....	23
3.2 Data Collection Method	24
3.3 Data Analysis	26
3.4 Validity and Reliability	27
3.5 Reflexivity and Ethical Considerations	28
3.6 Chapter Summary	29
4. Findings and Discussion	30
4.1 The Case Study of AAK and California Oils.....	30
4.2 Data Analysis Codes	31
4.3 Findings on Relationship History	33
4.3.1 Discussion on Relationship History	33
4.4 Findings on Process Variables	34
4.4.1 Discussion on Process Variables	35
4.5 Findings on Ability	37
4.5.1 Discussion on Ability	37
4.6 Findings on Integrity & Benevolence	38
4.6.1 Discussion on Integrity & Benevolence	39

4.7 Findings on Openness	40
4.7.1 Discussion on Openness	42
4.8 Findings on Interfirm Distance, Culture, and Value Congruence	42
4.8.1 Discussion on Interfirm Distance, Culture, and Value Congruence.....	43
4.9 Findings on Job Security & Perceived Benefits	45
4.9.1 Discussion on Job Security & Perceived Benefits.....	46
4.10 Findings on Social Controls.....	47
4.10.1 Discussion on Social Controls	47
4.11 Chapter Summary	48
5. New Findings and Model Expansion.....	50
5.1 Individual Trust Implications.....	50
5.2 Individual Career Implications	51
5.3 Chapter Summary	53
6. Conclusion.....	54
6.1 Main Findings	54
6.2 Limitations	55
6.3 Implications.....	56
6.3.1 Practical Implications	56
6.3.2 Research Implications.....	56
6.4 Future Research	57
Bibliography	58
Appendix A	61

1. Introduction

Mergers and acquisitions (M&A) are strategic initiatives whereby firms merge or acquire other firms in order to create competitive advantages such as: by expanding product portfolios, exploiting new markets, benefiting from acquiring innovations or patents, and much more. In 1998, Daimler and Chrysler entered an historic merger, forming DaimlerChrysler. While the deal ticked many of the traditional synergy boxes, cohesive global brand architecture and the potential of part sharing, the two firms weren't able to realize the promised synergy effects, and the two companies parted ways in 2007 due to irreconcilable differences of the marriage, mostly due to managerial polemic (Watkins, 2007). The DaimlerChrysler case is not extraordinary; M&A history is anticlimactically sprinkled with failed deals. This opens up to a number of questions about the reliability of pre-M&A analysis, managerial ability or inability to observe potential M&A risks, and the importance of social integration, especially within the field of trust. While hard data on the potential synergy effects of M&A activities are often the baseline motivation, cultural fit and trust are overlooked as important success factors in M&A's taking place in the market. During the past 30 years, research has changed its focus to not only look into the business side of M&A's but also the soft factors. In recent years, a paradigm shift has emerged, with extra attention paid to trust as well as how the acquiring company's management is establishing trust in the new relationship between the two companies (Stahl et al, 2011; Graebner, 2009; Trapczyński et al, 2018). This thesis seeks to understand the importance and complexity of trust in the integration process of mergers and acquisitions. Despite the obvious M&A risks of not obtaining any increased financial performance (King et al, 2004), companies still seek to acquire other companies in order to gain competitive advantages. Unlocking the often-overlooked non-financial success factors will create a more holistic understanding of social integration and perhaps contribute to increased emphasis on the human side of M&A in regards to furthering the understanding of trust in M&A's and how it is established in the integration phase. While the integration process and social integration in itself are immensely interesting topics in an era with increasing globalization and cross-border M&A activities, our motivation to write about this area stems from an ambition to perhaps shift focus from conservative M&A analysis to continue to contribute to and shed light on the importance of integration and establishing trust currently emerging within M&A research. Our thesis is that firms can fully realize the deals potential when the importance of integration and establishing trust are incorporated into the M&A process.

1.1 Background and Motivation for Research

Since 2000, more than 700,000 M&A-related transactions have been recorded, constituting approximately USD \$57 trillion in transaction value. During this period, North America constitutes the market with the largest size of M&A value, with 51% of the total value of M&A transaction value. Most of the rest of M&A activity has been allocated to Europe, constituting 38% of the global M&A deals between 2000 and 2018. The research on the cyclicity of global M&A activities is a well-established area. Steger & Kummer (2007) established five waves of pre-sub prime M&A waves. The first wave, circa 1897-1904 was driven by horizontal mergers where M&A activities were mostly intra-industry. The many monopolies created during the first M&A wave led firms to focus on vertical mergers rather than horizontal ones, which led to the second wave (1918-1932) that consisted of firms seeking to reduce costs. The third wave (1950's to mid 70s) shifted the focus towards conglomerate diversification and expansion strategies. After the third wave, the fourth wave (80s to 90s) consisted of an increase in hostile takeovers and corporate raids. In the now globalized economy, the fifth wave (2000s) welcomed the so-called "mega-deals" where cross-border mergers were increasingly common.

The sixth and seventh waves of M&A have been studied less but are still highly relevant. The economic downturn caused by the dot-com bubble in the 2000's and subsequent post-bubble economic growth, coupled with low interest rates withheld by the Federal Reserve,, caused a surge in private equity funds during the sixth wave (2001-2008). The highly liquid market environment signified by cheap capital did, however, generate distortions, causing over-valued target prices for firms and a lack of perceived risk. This market environment was indeed a driver for the 2008 economic crisis (Cordeiro, 2016). While the 2008-crisis market the ended with the sixth wave of M&A, the seventh wave stemmed, much like the fifth wave, from the post-crisis economic recovery. The seventh wave (2008 and onwards) has seen a resurgence of mega-deals, such as the Time Warner (\$68b), Verizon/Verizon Wireless (\$130b) and Kraft Heinz (\$100b) deals (Cretin, et al., 2014). Furthermore, according to Cretin *et al.* (2014), the M&A drivers for this wave include *transformation of business portfolios*, where firms are actively seeking product diversification, *tax optimization* in order to exploit regional tax arbitrations, and *the use by American companies of cash located abroad* as American companies' financial flows are taxed twice.

When considering the exact industry to be worked with in this thesis, the development of M&A's taking place within the agri-, beverage-, and food- industries were interesting to investigate. In 2016, the global M&A deals in the agri-, beverage-, and food- industries reached \$234bn with 2,157 deals recorded. The drivers behind M&A activity in the food industry are focused on securing resources due to scarcity, creating economies of scale with attention to production and shipping costs, and reducing price volatility (M&A Worldwide, 2016). The composition of M&A activities in the agri-, beverage-, and food- industries is fragmented. Most activity is found in the alcoholic beverage sector (16%), followed by beverages (12%), bakery (6%), and ingredients (6%). Interestingly, as of y.e. 2018, Earnings Before Interest Taxes Depreciation and Amortization (EBITDA) multiples for companies was recorded at around 14x, up from 12.2x in 2013 (Duff & Phelps, 2019).

1.2 Research Questions and Purpose

M&A continues to be an interesting topic to research. As it is seen, the development over time has been rapid and has seen great disruptions as markets and conditions have changed for companies across the globe. It is easy to state that M&A is a major strategic tool in enhancing its company in a given market, but while that may hold true, it also doesn't remove the fact that far more M&A deals turn out negatively than are successful (Bower, 2001). Throughout the academic journey of the authors, both financial aspects of M&A as well as soft concerns have been key words in courses taught about M&A, corporate finance, organizational economies, and strategy. It is believed that establishing trust between the companies taking part in the M&A deal is crucial in succeeding and obtaining the synergies needed (Stahl et al, 2011). Therefore, this study dives into exactly that, focusing on the value added ingredients industry in doing so. Over the course of several months, we, as researchers, worked our way towards establishing a series of research questions to guide us throughout the project, and in working with the phenomena of trust, it became clear to state the research questions as the following.

- *What role does the acquiring firm's management have in ensuring the development of trust and how trust between the acquiring- and acquired firm in the integration phase can be established in the value added ingredient industry?*

Besides answering the research question, it is important for the researchers to state that contributing to not only the academic society but also to companies and their employees as well is of great importance. It is evident that too many M&A deals fail, trust never gets established between the companies and employees, and teams of "us versus them" are predominant in what seems to be a

never-ending list of companies suffering through M&A integration issues. Companies, and especially the people working for these companies, both need and deserve to succeed in this field in order to ensure job satisfaction in jobs and companies where several thousands of hours over a lifetime are spent. The lack of trust in a M&A post-deal environment will continue to be an issue for companies entering these deals. The purpose of this thesis is to contribute to the established literature as well as bringing practical recommendations to practitioners on how the acquiring company's management can establish trust between themselves and the acquired company's employees. As already stated, only then can companies harvest the benefits and potential that M&A deals can provide.

In working on answering the research question, it was quickly decided that a qualitative study including a case company should take place. The Swedish company of AAK, which is not only a global company taking part of the value-added ingredients industry but also an active company in terms of utilizing the strategic tool of M&A deals, was chosen. AAK and the cross-border acquisition of the Japanese-owned American Company California Oils, which based on qualitative insight gained throughout the project period, was chosen amongst other cases, and it will be presented and discussed even further as part of Chapter 4 where the findings of the research conducted can be seen as well followed by discussion.

1.3 Demarcations

Rousseau et al (1998) defines trust as *“a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.”* In using this definition, it becomes evident that trust is a two-way street, where both parties hold a significant responsibility in establishing trust. Following this, research has found that buyers and sellers have asymmetric views regarding whether their counterparts are trustworthy (Graebner, 2009). Having said that, the purpose of the thesis is to not only contribute to academia but also to practitioners, including management in companies acquiring other companies, on how the acquiring company's management can better establish trust in the relationship, which the research question also aims at bringing answers to. This means that only the viewpoint of the acquiring company was taken into account rather than the acquired company's viewpoint, which by nature may act as a demarcation to the thesis. A discussion building on this demarcation can be seen in Chapter six as well.

In our efforts to study the discoursed M&A-related problems, we have organized the thesis accordingly. This chapter focused on the background of both global and case-specific M&A activities in order to understand and highlight the magnitude. Chapter two is dedicated to reviewing the relevant literature on strategy and competitive advantages, the realm of M&A, as well as the integration process in terms of trust and soft factors. Chapter three covers the thesis' methodology and our argumentation for conducting a qualitative study. Central to our thesis, the fourth chapter is a case study on the 2016 cross-border acquisition of the American company California Oils, which was owned by the Japanese company Mitsubishi, by the Swedish company AAK. In this chapter, we outline the conducted interviews and analyze the data within the realms of the research question. Chapter 5 will cover new findings and expansions to a central model to be worked with throughout this project. Chapter 6 concludes the thesis and further discusses the practical implications, limitations, and recommendations for future research on this topic.

2. Literature review

As seen so far, the study intends to further the knowledge within integration processes in terms of establishing trust. Therefore, the purpose here is to integrate the already established literature by organizing it into narrow general topics and thereby summarizing the literature by pointing out the central issues, hence the use of the literature review in this study is presented in this separate section. This section carries the following structure. The first section provides a short overview of competitive advantage and strategy and the connection it has to the field of M&A. The second section considers the realm of M&A where the literature review will consider the current and established literature on why M&A's occur, their connection to competitive advantage, and dysfunctional markets, tying these more so business related themes with the soft- and trust related issues. The third section considers the use of the word "trust" in M&A integrations, starting by considering the human side of M&A, providing a definition and discussion on trust, as well as what the current research may present academics as well as practitioners. As already seen, the research question guides the research towards focusing on the soft- and human side of M&A's, which means the literature review will be affected by this and thereby place emphasis on the realm of M&A and integrations.

2.1 Competitive Advantage, Growth, and the Realm of Mergers & Acquisitions

2.1.1 Competitive Advantage and Growth Strategies

When examining and reviewing the theory of strategy, it is known that companies may obtain competitive advantage by utilizing the strategic tool of M&A's. In doing so, companies may pursue either a cost leadership position within its market or by differentiating itself and its services or products in the market (Porter, 1985) through the merger or acquisition to be made. A central figure in strategy research, Porter has first of all established much of today's knowledge on strategy, but, nonetheless, he has also received critique on his two, narrow dimensions of strategy (Jones & Butler, 1988). Whereas the notion was that the trade-off between cost and differentiation were inevitable because the strategies are mutually exclusive, Jones and Butler (1988) argue differently. Jones and Butler (1988) suggest that cost leadership and differentiation are not placed at opposite sides of a continuum of strategy since both strategies are subject to the same underlying trade-off costs. Rather, the differences between strategies that companies may pursue are ones of a degree rather than kind, meaning that each strategy is a combination of the two: differentiation and low cost. In short, this means, "... *the real underlying dimension is cost (low to high), not low cost versus differentiation*" (Jones & Butler, 1988).

As it is seen, the discussion on strategy is ever ongoing. Besides this, the realms of strategy and direction of a given company are a multifaceted discussion. In deciding between strategic directions in terms of low costs, differentiation, and the hybrids existing between these two continuum extremes, growth and how to obtain it has been of interest. Growth strategies consist of organic growth where companies develop and utilize in-house resources and capabilities in order to grow; hybrid strategies where companies share resources or borrow resources needed in the marketplace; and inorganic growth strategies where M&A's are the predominant strategy (Agnihotri, 2014). Agnihotri continues to argue that during a period of time where competition is intense, companies become even more aggressive in pursuit of growth, where acquisitions – especially of other companies, be it vertically or horizontally – will be a predominant strategy, where even companies operating with scarce resources will stretch those resources to stay competitive (Prahalad & Hamel, 1990).

2.1.2 Mergers & Acquisitions

M&A's are widely and globally used options that are used when establishing competitive advantage and in creating value in the industry of value-added ingredient industry. Although, researchers point out that M&A's do not create any increase in financial performance (King et al, 2004). While determinants and possible synergies do exist in the industry, it is clear, that non-financial motives have an impact on whether M&A deals turn out successfully or not (King, et al., 2004). King, et al. (2004) dives into this, stating that additional research into the value creation of M&A's is highly needed as the number of unidentified moderators is stated to be high. King, et al.'s (2004) results indicate that post-acquisition performance is largely moderated by variables that remain unspecified in existing research and literature. Following this, King states that both the acquired and acquiring company realize positive abnormal returns on the very day that the acquisition is announced (day=0); stating and expressing that there are great expectations to the acquisition and its future performance in realizing potential synergies. While this may hold true, King, et al. (2004) also state that while the acquired company continues to see high returns, the return for the acquiring company in subsequent event windows (day 1 or later) are insignificant or downright negative, meaning no improved financial performance has or will be achieved in the post-acquisition phase. This suggests major managerial- and theoretical complications as it is basically stated that M&A's do not provide companies any improved financial performance over a span of a long time. Managerial implications include that taking on external growth may be highly speculative and in doing so, companies must be vocal in how, why, and where acquisitions can be reasonably expected to strengthen the company and its competitive advantage. Theoretical implications include the need for further research, as it is

shown that there is a clear need for further model development to identify antecedents that may be useful in helping to predict post-acquisitions performance. The increase in corporate governance mechanisms should mean that managerial opportunism should have decreased, meaning a decrease in the number of M&A's conducted should have taken place as well. At this point, it is well known that this is not the case. This is also the reason why King, et al. (2004) suggest further research and additional theorizing into and on nonfinancial motives for M&A activity across industries. While that may hold true in terms of King, et al.'s (2004) meta-analysis, multiple researchers have already pointed towards reasons, or at least motives, for why companies may acquire other companies.

Continuing down this path, it is seen, that companies pursue M&A's for two main reasons: in order to create value and to obtain competitive advantage. Market dynamics and the competitive environment may push companies to conduct these M&A's, and in his classic paper, Michael Porter calls for five forces that shape the competitive environment in a given industry, which include: supplier- and buyer power, threat of new entrants and substitutes, as well as competitive rivalry (Porter, 1979). Market- and competitive forces shape the strategy of the company, and Porter goes on to argue that the essence of strategy formulation is coping with competition (Porter, 1979), where M&A herein belong to the focal strategies for companies to ensure a sustainable competitive position in the marketplace (Trapczyński, et al., 2018). Changes in these conditions may create unstable environments for companies, where changes can be seen as shifting threats on new entries, changing supplier or buyer power, as well as new and shifting threats of substitutions, thereby creating new bases of rivalry. The definition of the industry itself may be changed and may reposition companies entirely. Market conditions and the competitive environments that companies find themselves in may be a driver for several strategic decisions a company may take. At the same time, it may also be one of the main drivers as to why companies perform M&A's, and in and by themselves, they may be a sign of a dysfunctional marketplace, where the fundamental market powers no longer rule. Diving deeper into these dysfunctionalities, there is not much collective wisdom about M&A's. Larsson (1993) takes on explaining the institutional dynamics of M&A's, where it is argued that the invisible hand (Smith, 1776), although being a fundamental and traditional economic view on self-adjusting markets, is too narrow of a view in terms of how markets are truly adjusted, what the adjustment reference may be, what it results from, and what the primary relative cost may be (Larsson, 1993). In contrast to the invisible hand, transaction cost economics (Williamson, 1991), (Williamson, 1981), which focuses on a company's need to minimize opportunistic behavior by transaction partners, states

that if concerns about opportunistic behavior is low, acquisitions might not be the avenue to follow compared to, for instance, strategic alliances, while vice versa holds true if opportunistic behavior is high, where acquisitions will be preferred compared to strategic alliances for instance (Graebner, 2009).

Larsson continued to argue that a handshake of inter-organizational coordination will take place in markets, meaning joint adjustments between companies through structured agreements will take place via negotiations, effectively replacing the institutional form of the invisible hand of markets. While the transaction cost economics approach (Williamson 1981, 1991) may help in explaining vertical M&A's and how hierarchies replace markets, it does poorly in explaining horizontal, extension, and concentric M&A's. The tri-polar institutional framework provided by Larsson (1993) contributed to the understanding of these types of M&A's thereby adding to the explanation of why M&A's are the sign of a dysfunctional marketplace. Meaning, if trust was established between the companies in, for instance, a strategic partnership, M&A's would not even be needed, thereby making the M&A itself the dysfunction. Moving on from the institutional approach, and as already stated, the number of M&A's taking place has increased in several markets and industries. Earlier research points towards the need of synergy potential based on market- and production relationships and the thereby derived different combination types (Larsson, 1990). In this research, overlapping M&A's between companies with the same main production in the same main country, complementary M&A's subdivided into markets, products, dual, and vertical M&A's, as well as unrelated M&A's between companies with unrelated main production and different main customer groups are all mentioned.

This research and the combination typologies provided a manageable framework for coping with the diverse combination types that exist in the realm of M&A. The research was extended to provide propositions on how synergy potential could be achieved in acquiring companies looking at the business side in this case. These propositions were based on the complementary M&A's stating that the greater the market similarity, the higher synergy potential; as well as that the greater production similarity, the higher synergy potential. This only added to how businesses could understand its potential synergies to be obtained (Larsson, 1990). At the same time, Larsson (1990) argues that up to that point, established literature had yet to explore and focus on the human side of M&A's, which Larsson argues is more so about avoiding dysfunctions in the relationship between the joining companies rather than the realization of positive synergies, which will be covered later in this section.

Later research continues down the line of market dysfunctionalities and continues to dive into the reasons why companies acquire other companies. Bower (2001) argues that acquirers usually pay too much, that friendly deals that are done using stock often perform well, that CEO's push deals through that shouldn't have been performed, and last but not least, that integration is hard to perform and that there are a few companies that consistently do it well (Bower, 2001). Furthermore, Bower points to five reasons why acquisitions occur, including that companies are: coping with overcapacity through consolidation in mature industries; rolling up competitors in geographically fragmented industries; extending into new products or markets; acquiring companies as a substitute for internal research and development; or exploiting eroding industry boundaries by inventing a potentially new industry.

Either one of these reasons evinces a dysfunctional market. The overcapacity M&A illustrates one market dysfunctionality where acquiring companies becomes *a must* in order to survive. Rationalization becomes key and in general consists of mergers of equals, meaning M&A's that are hard to succeed in. The geographic roll-up M&A presents may present issues for companies as well. While certain companies and their employees may welcome streamlined and efficient processes, strong cultures may put a stop to it. The product and market extension M&A may be challenging as well, where knowing what your company is acquiring becomes key. At the same time, culture and local employees may present challenges, adding to the complexity of acquiring a company that may extend product lines and market reach, where getting further away from what you know increases the level of risk. The M&A as R&D presents yet again cultural challenges, where walking the line of keeping talents as well as installing the company's culture into the acquired entrepreneurial firm becomes a key challenge for top executives, who must be involved. The final M&A type that Bower (2001) presents is the industry convergence M&A, where the company bets on a new industry to evolve and the target company being part of that change.

Haleblian et al (2009) continues to consider why companies undertake M&A deals, covering antecedents and why companies act as they do. It is argued, that the reasons why companies acquire other companies fall into four broad categories, including: value creation, managerial self-interest (value destruction), environmental factors, and firm characteristics. This research draws upon several lines in already-stated research, wherein, for instance, market power, efficiency, compensation, environmental uncertainty, company strategy, and market position are reasons why companies obtain a certain acquisition behavior (Haleblian, et al., 2009).

Each reason for acquiring a company will present its own challenges, but research shows that one weakness consists of Bower not presenting a greater framework of combination types nor how to realize synergy potentials; instead, he presents short-written recommendations, though some might be well and useful to the reader. Bower (2001) continues to mention that M&A's are a means to an end, and when acquiring another company, there must be a greater strategy behind doing so. Setting strategic objectives becomes important, and if the goals aren't clear within the strategy, conducting an acquisition should be completely reconsidered. In Bower's recommendation, there is great attention to the human side of acquisitions, where for instance how dealing with firm culture clashes are mentioned, pushing the reader to understand these dynamics and the importance of them to a greater extent, putting emphasis on the importance of this part of M&A's to some extent. Halebian, et al. (2009) do not present the same recommendations but do argue that although acquisitions are treated as a single event in time of the company, most acquisitions should be viewed as part of a greater strategic intent and act, which in turn requires significant sequential organizational restructuring in order to obtain potential synergies.

While it is, to the extent of the authors' knowledge, not possible to look into academic research on the chosen industry, several investment banks conduct M&A research on the industry, including the determinants of M&A. Here, it is seen that secular trends drive the interests of M&A, where consumers, in particular, demand greater functionality in products and offerings, where these producers can make great contributions, that consumers will recognize, to the final product to be sold. Combining that with healthy margins across the industry, the trend of M&A's is currently increasing, resulting in major deals taking place both domestically and globally (William Blair, 2016). When considering King, et al. (2004) and the postulates made on financial performance in M&A, it is clearly seen that in theory and in industry practice, several motives and drivers for M&A do exist. While an increase in financial performance may not be found in established theory (King et al, 2004), considering the M&A activity in the industry, this may in turn illustrate a different notion of M&A. As seen already, research has had a great focus on the existential- and business side of M&A's, while a few early attempts, mainly Larsson (1993), have touched the surface of the importance of trust within M&A's, no matter the driver may have been behind the deal to create and sustain a competitive advantage. As it will be seen, the human side of M&A has been a topic alongside the business side of M&A for the past 30 years, but what will also be seen is that the complications of trust are a fairly new field for researchers.

2.2 The Complications of Trust

Anecdotal and indirect evidence has suggested that trust is needed in M&A deals and is to be deemed critical in the post-merger integration phase, thereby pushing for further research be conducted on the topic (Stahl, et al., 2011). This exactly is what researchers now point towards, namely that trust is a major implication in achieving success in M&A's. Research in this area is continuously emerging in today's literature; as financial and strategic factors continue to fail to explain M&A successes and failures (Stahl, et al., 2012). A wide array of more or less soft variables such as cultural fit, the pattern of dominance between joining companies, the combining companies track record of interacting with one another, issues in terms of questions regarding law and justice, attention to cultural and human resource related challenges, issues in the due diligence process, the acquiring company's leadership style compared to the target company, and what the general social climate is during the takeover process. Even so, dominant standards continue to be lacking in research and management practice and, as already mentioned, the important factor of trust remains underexplored in the M&A literature, although it is an area of growing interest (Stahl et al, 2012).

2.2.1 Early Frameworks on Resistance

Today, it is widely accepted and known that when employees are treated well, showing that they do matter, may improve performance and lead to the success of the company's strategic intent (Larsson, 1990). At the same time, employees of a given company will most likely react negatively to M&A announcements. Larsson (1990) offered structure to these otherwise known issues and challenges by outlining a model of collective and individual sources of employee resistance to M&A's. The issues and sources of employee resistance were found to be cultural clashes and acculturation, career implications, and employee interpretations (Larsson, 1990). In this is also seen that individual resistance influences collective resistance, where individuals add to a notion of resistance towards M&A's using their own opinion upon this. At the same time, collective resistance adds to individual resistance where it, for instance, is seen that mob effects can take place, meaning the individual may have a distinctly different behavior in a collective resistance setting compared to when the individual takes actions his- or herself and voice his or her own concerns (Larsson, 1990). As already mentioned, Larsson (1990) broke the collective and individual sources of employee resistance down into acculturation, career implications, and employee interpretations. In covering acculturation and cultural clashes, the propositions were presented as: the more initially shared meanings between the joining companies, the higher acculturation; the more management style similarities between the joining companies, the higher acculturation; the more complementary competence between the

joining companies, the higher acculturation; the more socialization efforts, the higher acculturation. These insights enabled both scholars and practitioners to gain insights into how cultural clashes and acculturation may be coped with by learning from these logical propositions and conclusions.

Considering career implications, Larsson (1990) argued that the human side of M&A could benefit from complementing the current research with a perspective that highlighted the individual point of view. Larsson (1990) once again contributed to scholars and practitioners with propositions such as: that individual employee resistance will increase when the more increased work contributions, the more decreased rewards, the more decreased job security, the more reduced advancement opportunities, and the more negatively upset career planning is seen in the post-acquisition landscape. Once again, these insights provided scholars and practitioners with insight into what drives decreased employee morale and motivation and what downright made employees resist M&A's when considering their own careers. Larsson also gave insight on how different types of M&A's could affect the employee resistance, where it was seen, that overlapping M&A's could increase the possibility of negative disruption.

The final topic on the human side of M&A's that Larsson (1990) brought insight into was the employee interpretations of the company's integration with and the overall M&A taking place. Larsson once again contributed with propositions to scholars and practitioners, including: the more true communication, the less hostility attributed to the acquiring firm by the acquired employees; the more use of force against the acquired employees' will, the more hostility attributed to the acquiring firm; and the more conflicting interests between the firms, the more hostility attributed to the acquiring firm by the employees. Finally, Larsson (1990) summarized his findings on the human side of M&A's to yet another set of propositions, including: the lower acculturation, the greater acquired employee resistance; the higher or lower imposition of control by the acquiring firm, the greater acquired employee resistance; the greater hostility attributed to the acquiring firm, the greater acquired employee resistance; and the more negative career implications, the greater acquired employee resistance. Larsson continued following the fields of acculturation and career implications in M&A's with articles in 2001, where Larsson and Lubatkin (2001) considered how companies could achieve acculturation in M&A's via an international case survey. They stated that while it may be popular to blame M&A failures to differences in culture between the two companies and that they are destined to clash, that simply doesn't need to be true. The findings suggest a positive and

optimistic view on acculturation, where findings included the idea that achieving acculturation depends on how the informal integration is being handled by the acquiring company. This informal integration, Larsson and Lubatkin argue, should rely on social controls being, for instance, activities, including: introduction programs, training, cross-visits, retreats, and the like. The researchers also found that these findings were robust as these social controls installed would help, regardless of how related the two companies were in synergy expectations, relative organizational size, and differences in nationality and thereby organizational- and personal culture (Larsson & Lubatkin, 2001).

As mentioned, Larsson continued down the path of career implications with another article released in 2001 in collaboration with Driver, Holmqvist, and Sweet (2001). The researchers built upon the findings of Larsson (1990) by arguing that recurring waves of M&A's transform employees' careers forcefully and in many instances to great extents (Larsson, et al., 2001). Organizations face multiple combination opportunities to choose from, where new motivational factors for employees can be coupled with the goal of the M&A itself taking place. It is argued that this is highly needed, as the integration of another company can mean lay-offs, different or reduced opportunities of advancement in the organization, upset or changed career paths for employees, as well as other outcomes. Larsson et al (2001) argues that by recognizing and supporting different motivational factors of employees as well as crafting competence profiles, the employee retention rate will stay positive and will generate less resistance to the acquisition. In releasing this paper, Larsson, et al. (2001) manages to continue down the path of the propositions Larsson (1990) presented with his previous research.

2.2.2 The Role of National Context in Mergers & Acquisitions and Trust-building

National context has shown to be an important factor to consider in establishing M&A success (Stahl et al, 2012). Besides this, it is increasingly accepted and recognized that trust in cross-border deals can lower transaction costs, facilitate interorganizational relationships, and enhance and improve the relationship between managers and employees (Doney, et al., 1998). Doney et al. (1998) continues to argue that due to the increasing level of globalization and cross-border M&A deals, it is worth understanding the influence of national culture on the development of trust in the relationship between the companies within the deal. The authors attempted to introduce and propose a model of national culture and the development of trust, where their framework suggests five different routes of cognitive processes trustors can take to develop trust in a target, including: being calculative, prediction, intentionality, capability, and transference, thereby drawing on several schools of thoughts ranging from economics, sociology to social psychology (Doney, et al, 1998). The model, the authors

argue, has important implications for not only researchers but also practitioners for establishing and maintaining trusting relationships in cross-border M&A deals as each cognitive process route suggests different practical strategies to fulfill (Doney, et al, 1998).

Aguilera and Dencker (2004) argue that although there's a growing interest, the human side of M&A's has been neglected in research and stresses the implications, which not only cross-border M&A's can have on employees on either side of the cross-border acquisition but also the role that human resource management can have in creating a successful deal and integration of the companies at hand. The strategic fit between the type of M&A, based on Bower's (2001) M&A typologies, and the strategy to be utilized by human resource management was stressed, where resources, processes, and values will differ based on the M&A type (Aguilera & Dencker, 2004). The authors place great attention as to how employees may not only perceive the acquisition at hand but also how their careers may change and how human resource management may cope with this in order to ensure success and decrease the level of resistance. This insight also aligns with Larsson's (1990) propositions on the human side of M&A as well as Larsson, et al. (2001), where it was seen, that employees' level of motivation may change when M&A's take place due to the career implications it may have, including remuneration schemes and other reward systems. It is mentioned that due to cultural differences between nations, cross-border M&A's introduce several challenges to the companies in the M&A deal, where it is also seen that certain countries may see a greater cultural fit than others (Aguilera & Dencker, 2004).

Björkman, et al. (2007) continues along these lines of research, where an integrative model of the impact of cultural differences on capability transfer in cross-border acquisitions was presented. It is also argued that cultural differences affect the post-acquisitions' capability transfer through its impact on social integration, potential absorptive capacity, as well as capability complementarity (Björkman, et al., 2007). The authors continue to illustrate two dynamic variables – the use of social integration tools and the degree of operational integration of the acquired company – are part of moderating the effects of the differences that there may be between the companies in terms of culture, thereby affecting the performance of the unit post-acquisition (Björkman et al, 2007). The authors also propose that cultural differences can both be an asset as well as a liability, meaning that it may be of benefit because it may enhance the combination potential between the companies at hand, while cultural differences may also create obstacles in terms of social integration issues and thereby

diminish the acquired and acquiring company's capacity to absorb capabilities from the other party, basically building on already existing knowledge created in research and practice (Björkman et al, 2007).

Moreover, Stahl et al (2012) set out to study how cross border M&A's were affected by the potential differences there may be in cultures, where a cross-national sample case of German and Singaporean employees was used in studying the phenomena. More specifically, this study included testing whether a target company's employees' reactions to a takeover depends on the national context in which they are situated in, therefore requiring a strategy that may cope with the issues this may present. Stahl et al (2012) concluded that companies that are engaged in cross-border acquisitions must consider the differences there may be between the countries in terms of cultural and institutional contexts and approach the M&A accordingly, thereby also indirectly aligning itself with the insight Larsson (1990) and Larsson et al (2001) had already created.

As it may be seen, the research on trust within cross-border M&A's, taking the cultural differences there may be into consideration, is limited and sporadic while proposing separate frameworks all aiming at, to some extent at least, fulfilling different purposes both touching upon cultural differences in cross-border M&A's but also trust. While this may hold true, it does not change the fact that both practitioners and researchers can agree that cross-border M&A's and the realm of establishing trust is an evolving field where all parts have yet to be fully discovered for the benefit of all. Having said that, the establishment of definitions and crafting of frameworks continues to evolve.

2.2.3 Establishing Definitions and Frameworks

Following Larsson (1990) and the general propositions contributing to the academic field as well as management practice in his later papers, research has continued to expand on and look into several different areas of integration and trust-related issues. Over the years, trust has continued to be an ever more important topic to cover in literature and for practitioners, although research on the topic has been sporadic to some extent and only a few attempts to systematically examine the role of trust in the context of M&A have been seen (Stahl et al, 2012). Research stated definitions on trust as well. Here, it is seen that trust exists on different levels in the relationship within and between organizations (Stahl et al, 2011). Research has stated several definitions as to what trust is on different levels within and between joining organizations, including firm-, group-, and individual levels, but central to most of these definitions is that trust is the notion of risk and vulnerability (Stahl et al, 2011). The ongoing

discussion and trust research is still open to new viewpoints on trust. Trust has also been viewed in the sense of time, leading the professional relationship in, for instance, M&A's through different phases, creating a dynamic view of trust. Researchers illustrate that trust evolves and changes over the span of time, and if a relationship between professionals is to mature, it must go through a sequence of calculus-based, to knowledge-based, to identification-based trust phases (Lewicki & Bunker, 1996). Rousseau et al. (1998) covered the topic of trust in-depth and brought a widely-used definition to the table where the authors define trust as "*a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another,*" thereby creating a rich and multi-disciplinary understanding of trust.

Research has illustrated that the turmoil that may take place after the announcement of a merger or acquisition may create distrust since the situation for most employees becomes unpredictable or unstable, therefore making employees feel vulnerable (Stahl et al, 2011). How trust is issued and perceived on either side of the table has been fragmented thus resulting in equally fragmented and different outcomes and results. This is seen in different recent papers, where Graebner (2009) argues that fundamental asymmetries between the acquirer and acquired companies and its employees do exist. Graebner finds that most acquired companies do in fact trust the acquiring company, but that the same is not seen, in terms of acquirers trusting in the company and its employees that they are set to acquire. Graebner (2009) continues to argue that even if a company's leader may view another company as trusting, these leaders may not feel any moral obligation towards this company if the very same company is not viewed as being trustworthy. While Graebner (2009) argues for asymmetries between acquirer and target company trust as well as posing strong postulates on moral issues, even more recent research points towards different findings. This is backed up by recent academic studies, where Trapczyński et al. (2018) conducted research on the Israeli high-technology start-up scene. The studies undertaken state that trust from the acquired company managers affects the acquisition taking place in a positive way, while trust seen vice versa, expressed with the autonomy that the acquiring company leaves with the acquired company is not a significant predictor in whether the acquisition will be a success or not.

As it is seen in literature and research, people have worked to construct definitions and frameworks around the phenomena of trust, suggesting that trust is based on a variety of factors. It is also seen that even though researchers may point towards different outcomes of the studies, all can agree that

trust is becoming increasingly important in research. Stahl et al. (2011) proposed such a framework, following his own line of research and of Graebner (2009), where the authors developed a model that conceptually synthesizes antecedents and consequences of trust in acquired companies. In this model, Stahl et al. (2011) focused on trust between the acquired company's employees and the management of the acquiring company. The model goes on to suggest that the acquired company's employees find trust in the acquiring company by a series of status variables, including: the relationship history between the two companies, the interfirm distance, as well as process variables, where Stahl et al. (2011) argues these variables are in line with established theory. Alongside this, Stahl et al. suggests several hypotheses about the formation of the relationship between the status and process variables and the perceived trustworthiness of the acquiring company's management. These variables will, accordingly to researchers, affect the acquired company's employees and members trust, which in turn will lead to sociocultural integration outcomes in the form of commitment, satisfaction, acceptance of change, intent to stay, and more. These different correlations will have an impact on the post-acquisition performance in terms of sales growth, realized profits, and more. In line with the study to be performed, it is relevant to continue down the path of delineating what trust consists of in this model, including: ability, integrity, benevolence, openness, and value congruence (Stahl et al, 2011), where much of the already conducted research on the topic is comprised from for instance the 1995 article on organizational trust by Mayer et al.

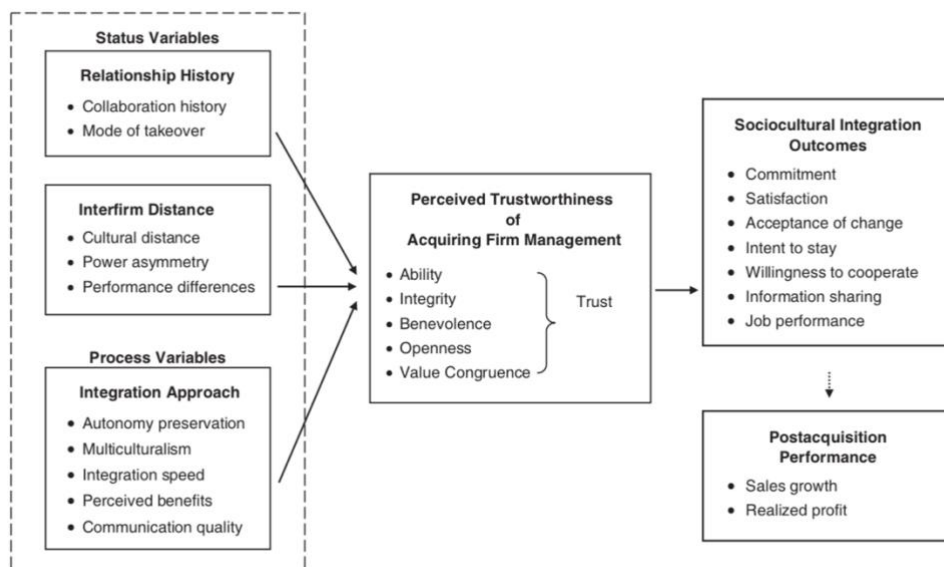


Figure 1: Model of the Antecedents and consequences of trust in acquisitions (Stahl et al, 2011 p. 578)

Ability

Considering first ability, Stahl et al (2011) argues that functional competence, interpersonal competence, business sense, and judgment are all related to ability, that the acquirers of a given target company are able to make the right choices, and that whether the acquirer has the competences needed in order to succeed. Mayer et al (1995) defines ability as that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain. Stahl et al's (2011) use of the word ability arrives from this very article, and thereby builds upon the established theory on this exact topic by drawing the same conclusion as already in established research, that ability, or in other words competence, is an integral part in building trust (Mayer, et al., 1995).

Integrity and Benevolence

Continuing in the model, Stahl et al (2011) states that integrity can be explained as expectations regarding reliability, dependability, or the consistency of a person's behaviour. Drawing on past research on the area, Mayer et al (1995) also states that the relationship between trust and integrity involves what the trustor, or in the case of M&A, the acquired company's members, has a perception of what the other person's value and belief system consists of and that this is found to be acceptable. One important step in securing integrity is the importance of consistency, where employees will see the consistency in how managers in general, first, tell the truth and second, keep their promises (Whitener, et al., 1998). These act as key behavioral antecedents that affect employees' trust in the manager and the manager's level of integrity in the relationship. Benevolence is yet another part of creating perceived trustworthiness of the acquiring company's management (Stahl et al, 2011). The authors once again turn to Mayer et al. (1995), where Mayer et al. states that benevolence is the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive, thereby bringing a definition to the phenomena. When considering M&A's, this would mean considering to what degree the acquiring company would do good for the target and acquired company. Stahl et al. (2011) continues to state that benevolence involves a concern for the welfare of the employees of the company acquired, where managerial implications include: acting in a way that protects and respects the interests of the employees; being sensitive to these employee's needs; and acting morally in the sense of not exploiting the employees for one's own benefit in an already sensitive situation.

Openness

Openness is the next part of the center of Stahl et al's (2011) model in establishing perceived trustworthiness of the acquiring company's management. Openness is another important element in creating trust where Stahl et al. (2011) states that a person can be considered to be open to the extent to which this person freely shares thoughts, feelings, and information with another. Whitener et al. (1998) also states that communication and accuracy in communication is part of openness. In general, research states that being open can increase trustworthiness when both employees and managers are communicating in an honest and precise manner, which also goes hand in hand with Stahl et al's (2011) tenth hypothesis, which states that the higher the quality of communication by the acquirer, the higher the level of trust target firm members have in the acquiring firm's management.

Value Congruence and Culture

Value congruence is the final part of Stahl et al's (2011) model in establishing perceived trustworthiness of the acquiring company's management. In covering congruence, Stahl et al. (2011) states that sharing values and cultural similarities on an organizational and on an individual level, helps establish trust among individuals, groups, and organizations, where it has been seen that shared norms, goals, as well as value sets can help in establishing trust between the joining companies and especially in the acquiring company's management. It was seen earlier how differences in nationalities in cross-border M&A's can affect the trust relationship between the joining companies (Stahl et al, 2012), and in general the impact and importance of cultural differences has been established in the literature of M&A. Stahl et al. (2012), in their study of their Singaporean and German acquisition case, formed hypotheses about this that stated that the level of target firm member trust in the acquiring firm management is higher in domestic than in cross-border acquisitions; as well as that national context moderates this relationship, such that the more negative effects of cross-border acquisition on trust compared to that of domestic acquisition is stronger for Germans (acquired company location) than for Singaporeans (acquiring company location). Besides this, the challenge becomes even more pressing, as social identity theory suggests, for M&A's where two nationalities, and thereby two separate cultures, are enough to lead to in-group out-group biases (Stahl et al, 2012). Trust is known to be a key factor in M&A success, and culture, being part of that, is deemed to be an equally important determinant in implementing strategies in general and in M&A deals likewise (Nahavandi & Malekzadeh, 1988).

Considering culture on the organizational level, the literature continues to be fairly extensive. Several definitions exist but Schein (1996) defines culture as *“the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceives, thinks about, and reacts to its various environments.”* It is also mentioned that these norms are so embedded in members of a culture that these members are not aware of them until another culture is encountered (Schein, 1996). In their 1988 article, the already mentioned researchers Nahavandi and Malekzadeh (1988) continued to acknowledge that several underlying assumptions creating several subcultures within an overall culture of the company may be seen. These may differ in terms of and along occupational, functional, product, or geographical lines, which in turn may further complicate the cultural aspect of M&A’s. The authors continue to build on Berry’s (1983) model of acquired companies modes of acculturation and proposes that the degree of congruence between the acquiring and acquired companies’ preferred modes of acculturation will affect the level of acculturative stress (Berry, 1983). The acquired company’s preferred mode of acculturation will, in following this train of thought, either facilitate or hinder the implementation of the M&A deal (Nahavandi & Malekzadeh, 1988). Nonetheless, Rousseau et al (1998) has provided M&A researchers and practitioners with a rich and multi-disciplinary definition of the term trust stating that trust is *“a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.”* At the same time, Stahl et al (2011) has provided the same M&A researchers and practitioners with a rich integral and impactful framework on how to establish trust in the post-acquisition phase of two companies joining forces, which is where the world of M&A and trust building is situated. Thereby, over time, more stable frameworks have been established to continue developing the understanding of trust and M&A’s.

2.3 Chapter Summary

The realm of M&A continues to be one of great importance, where several different paths have claimed researchers’ and practitioners’ attention over the years. Creating sustainable competitive advantage continues to be the goal of companies, where Porter’s (1988) continuum of cost leadership and differentiation continues to be a cornerstone, although it is criticized. As seen, M&A becomes important for reaching these goals, but although trusted to bring exactly that, King et al (2004) stated that no improvements in financial performance was seen while conducting M&A deals. While this may be true, the world of business has only seen an increase in M&A deals. Researchers have therefore considered the drivers of the increasing number of M&A deals, where especially changing competitive environments may be one (Porter, 1977; Larsson, 1993; Bower, 2001; Graebner, 2009;

Haleblian, 2009), while Larsson (1990) brings frameworks forward that illustrate combination potentials and propositions as to how companies might conduct successful M&A's by also bringing attention to the human side of M&A integration. Research has paid attention to how to successfully execute this strategic tool. Several complications were seen in doing so, including employee resistance to M&A's, where propositions and recommendations on how to cope with these challenges were presented (Larsson, 1990; Larsson & Lubatkin, 2001; Larsson et al, 2001). Following this, the phenomenon of trust has seen an increase in importance, although unsystematically so (Stahl et al, 2012). Trust was defined as *"a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another"* (Rousseau, et al., 1998). Research on how trust is issued and perceived on either side of the table has been fragmented (Graebner, 2009; Trapczyński et al, 2018), but research has still stressed its importance (Stahl et al, 2011). Stahl et al (2011) proposed a framework to understand the phenomenon, stating that a series of attributes affects the perceived trustworthiness of the acquiring company's management, including: ability, integrity, benevolence, openness, and value congruence. Value congruence is important in relation to culture, where cross-border M&A's proved to be challenging (Stahl et al, 2012). Concerning organizational culture, Schein (1996) defines this as *"the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceived, thinks about, and reacts to its various environments"* and Nahavandi and Malekzadeh (1988) stressed, via Berry's (1993) model, that the degree of congruence between the acquiring and acquired companies preferred modes of acculturation will affect the level of acculturative stress and that the acquired company will effectively facilitate or hinder the implementation of the M&A deal.

3. Methodology

The research methodology section covers the stipulated research problems, the progression of the theoretical framework, as well as the collection, analysis, and visualization and/or presentation of data and framework for writing. In this chapter, we will present the methods used when solving the formulation of the research problem but also clearly demonstrate the validity of the research we conducted.

3.1 Research Design

We aligned ourselves with the interpretivist paradigm, because we were looking to gain an understanding of the people interviewed and how the matter of trustworthiness in management is established (Creswell & Creswell, 2018). Our thesis is based on naturalistic methods, mainly through mono-methods, and being an exploratory study, we used a qualitative approach of semi-structured interviews conducted with executive and senior management who all had with experience within M&A at AAK and the acquisition of California Oils (Saunders, et al., 2016). Qualitative methods rely on text data, image data, and open-ended questions in interviews to later deduct evidence to support the research question (Creswell & Creswell, 2018). In using a case, in this instance the AAK acquisition of the American company and subsidiary California Oils from Japanese Mitsubishi in 2016 will be discussed, we further aligned ourselves to this specific form of inquiry, where we as researchers developed an in-depth analysis of this specific case, bound by time and activity as well (Creswell & Creswell, 2018). In doing so, we took a further look at a transformative worldview, where we intended to examine the state of individuals in a larger context, the acquisition that took place, in order to consider the participants' personal experiences.

In taking on this study and by using the research design such as the one presented, it was important for us as researchers to not only gain an in-depth understanding of the phenomenon of trust through the data collected, but equally important, we needed to be aware of our own position as researchers and the position of the interviewees. Being aware that interviewees are constructing their own social reality and that their opinions or comments throughout the data collection process should not be taken as a fact or a definite answer but rather as part of a whole. The interviews provided us with indirect information filtered through the views of the interviewee, while the interviewee was further biased due to location and setting, the presence of the researchers, and the fact that not all interviewees are equally articulate and perceptive. In carrying out this study, it was important that we as researchers understood that we were neither able to look for nor bring definite data to the readers as we were

gaining an understanding of the phenomenon, trust. Furthermore, this goes well with the phenomena of M&A's, where different actors in different positions within the company or organization may react differently to the acquisition at hand, furthermore based on their personalities and experiences (Stahl et al, 2011). Therefore, understanding the context in which the data collection is part and taking on the interpretivist view and standpoint became crucial in attaining answers to the stated research questions.

3.2 Data Collection Method

In Chapter 4, we present a case study, which has provided the research with rich descriptive data of the drivers of the acquisition, how the acquisition was being understood, and how trust was perceived throughout the different layers of the organization. The interviews were based on semi-structured interviews of four key people in the organization, consisting of executive and senior management with experience within M&A. In undergoing a qualitative research project, it was highly important to the researchers that the interviewees were relevant, hence the purposeful selection of interviewees. M&A's are events conducted within small teams in companies, and in choosing to select a small number of interviewees, we ensured that we obtained knowledge from people witnessing M&A's at AAK and the acquisition in focus first hand. The interviewees were employed by AAK during and after the transaction. From this perspective, we could better understand the managerial decisions and motivations driving the acquisition and the acquirer's view of the integration process. While we were gathering crucial information on soft factor interactions during the integration process in relation to establishing trust in the relationship, including potential congruities and cultural- and trust clashes, we were tying it all together with the idea of discovering answers to the research question stated in the initial section.

The interviews were completed on the AAK site as well as via online communication in May 2019, meaning a feasible amount of time had passed since the 2016 acquisition had taken place. In completing the interviews at AAK, there were several considerations on the table, which can be seen in section 3.2.1. When considering the exact questions used throughout the interview, the questions were aimed at answering the research questions, where the first round of questions were focused on understanding trust in the M&A integration process, the relationship between AAK and California Oils were examined, and whether and when cultural differences were discussed. The remaining round of questions was aimed at examining the importance of trust building in acquisitions, where the managerial role in the integration process and factors influencing trust were considered. The questions

evolved around the theoretical framework, which the research study situates itself around, thereby gaining inspiration from key models throughout the Literature Review, including perceived trustworthiness of the acquiring company's management (Stahl et al, 2011). The reason behind this set-up was that it is believed that we as researchers can gain an in-depth understanding of the case at hand as well as bringing answers to the research questions being worked on throughout this thesis project. Pairing this with the theoretical knowledge, which could otherwise also help in discovering answers to the research question, the answers together could be even richer for insights. Additional strengths to this form of inquiry included that we did not believe it was possible to directly observe the work of conducting M&A's in a company, thereby making sense of the interview. It was also believed that the participants could provide historical information and not only their take on the realm of M&A but also walk the researchers through events of the case acquisition being researched. In forming questions, initiating the interviews, and conducting them, it was of great importance for the authors to stress the importance and hope for an open-minded, only semi-structured interview and discussion taking place, where for the authors it was more important to learn and gain insight rather than getting a fixed and clear answer to the questions themselves. We believe that doing an exploratory study will not only help us in understanding the phenomena of trust in M&A's but also make us more flexible in terms of adapting to new insights throughout the study (Saunders et al, 2016).

While the theoretical part of this study took place via desk research and at different locations around the world, we conducted the main part our research on the AAK headquarters site, located in Malmö, Sweden. Malmö and the Greater Copenhagen area are a major hub for doing business in Scandinavia; the AAK headquarters site is furthermore located in a vibrant part of this hub in a newly established business district consisting of several companies of all sizes and in multiple industries. At AAK headquarters, around 60 people are currently employed, while subsidiaries including both offices and production facilities exist across the globe. California Oil, based in Richmond, California US, employs around 65 employees and is furthermore also situated in a vibrant location in terms of doing business and production. As seen, the acquisition is further complicated by the fact that it is a cross-border acquisition, namely: a Swedish company acquiring an American company, which was owned by Japanese Mitsubishi, thereby complicating an already interesting acquisition case spanning three cultures. Considering the number of people potentially involved in the acquisition, the amount of challenges related to trust and culture could seem limitless. This made the site an intriguing and ever-

interesting place to conduct research. This was one of the major drivers for conducting research on site, where it was believed, that taking in as much as possible as researchers, including observing symbols and the like, would prove to be beneficial to the project and our understanding of the phenomenon at hand while still considering the ethics behind doing so. Hence, we sought to respect the sites and disrupt as little as possible during the research period. Due to the nature of the study being a cross-border acquisition, it was evidently of interest to us as researchers to interview personnel situated in America. Therefore, interviews were not only conducted at the headquarters site in Malmö, Sweden but also via internet-mediated electronic means. In taking on the interviews, it was decided that the names of the interviewees would be confidential, ensuring an open and trustful conversation and discussion during the interviews. Besides that, the data recording procedures were discussed, which basically consisted of audio recording of the interview, both on site and online.

3.3 Data Analysis

In collecting the data to be used for the analysis, the actual analysis of this was an ongoing process simultaneously conducted with parts of the remaining research project. The data collection consisted of conducted interviews, where transcribing the data became relevant immediately following the interview, ensuring a fresh mind and memory of the recent interview. Besides a rigid manual process of transcribing the data, computer software programs assisted us in doing so, ensuring that the data was well organized and that no data got lost in the process of transcribing it. Following this, the interviews were read several times in order to ensure an initial thorough overview and understanding of the data. From here, a qualitative content analysis process took place, where the initial analysis was done individually (Hsieh & Shannon, 2005). In analyzing the data, we took a directed approach, starting by having initial codes based on the theory covered in Section 2, while also being flexible in defining new codes during the data analysis itself. The approach was meant to find and interpret meaning from the content of the data collected as well as the theory stated in the area of the study, hence adhering to the naturalistic paradigm (Hsieh & Shannon, 2005). We as researchers were looking for specific patterns and thereby themes in the interviews, being repetitions, metaphors, similarities between situations, theory-related comments or the like to support the initially defined codes and in order to define new codes. In doing so, overall and general themes were noted for further analysis. At this point, we as authors returned to present our individual findings and gather the data collected, and this is where we started on the second part of our data analysis process, the collective data analysis part. Here, yet another process of first discussing the findings and a second re-coding of the data took place. The same directed content analysis approach was used with initially stated and

defined codes and newly found codes implemented as we moved along in the data analysis (Hsieh & Shannon, 2005). In completing such a process, we managed to combat our own potential biases in data perception as well as contributing to a deeper level of understanding of the individual themes found, because now the interpretation of the data could take place, including summarizing findings, comparing these to the literature established throughout the literature review and additional industry specific insights and resources, discussing these findings, as well as stating limitations and future research to be conducted.

3.4 Validity and Reliability

Providing a project that not only answers the research question but also provides value for companies and academics was of great importance. In doing so, it was first of all important to ensure a high level of validity in the research findings, where installing several measures to combat the lack of it was important. Establishing validity was a process of checking the accuracy of the findings via these procedures (Cresswell & Cresswell, 2018) and installing the strategy of using several validity procedure tools enhanced the chance of assessing the accuracy of the findings as well as presenting a convincing report for the readers. First of all, the measures used throughout the project stemmed from clearing and clarifying the bias that we as researchers brought to the study conducted. Reflexivity and careful consideration of our ethical standpoint as we moved along in the research process was of utmost importance, in order to ensure validity. Section 3.5 will dive deeper into this and the actual complications faced. Besides this, measures such as rich and thick descriptions of the case were used, which not only gave the reader a better understanding of the situation taking place but the result was more realistic and detail-oriented in tracking events from an academic standpoint. The use of member checking was employed as well, where interviewees got the chance to not only review key findings from the project itself and the interview they participated in, but also to bring new comments, additions, retractions or the like. Besides this, a triangulation of different data sources, including different interviewees, added to a high level of validity in the outcomes of the study. The data analysis process proved to be important in installing triangulation, where the coding brought up themes and key points, which again could be paired with different interviewees and their statements across and throughout the data collection process. As seen, a validity strategy consisting of three tools as part of a thorough process was installed, ensuring the integrity and trustworthiness of the project (Cresswell & Cresswell, 2018).

3.5 Reflexivity and Ethical Considerations

Building upon the initial methodological considerations of our own roles as researchers in section 3.1 as well as consideration on the site of research in section 3.2.1 and consideration on validity in section 3.4, this section further builds upon those considerations. Taking on a qualitative study, researchers are usually heavily involved with the participants of the project, which in turn introduces a large range of strategic, ethical, as well as personal issues and challenges into the research process (Creswell & Creswell, 2018). As mentioned, we as researchers had to be aware of the implications interviewees may have had in presenting and articulating the data that they wanted to share. At the same time, we as researchers had to consider our own interpretations of these narratives. Reflexivity became important in doing so, where we as researchers took a step back and examined our own role and challenged our world beliefs, since we believed that is what would guide us in interpreting the data collected.

In doing so, we examined our past experience with each of the companies at hand, the phenomena of M&A's, as well as the phenomenon of trust. Besides that, we examined how these past experiences shaped our interpretations beforehand. In examining past experiences with the company, being AAK, in reference, one author is currently employed by this company at the headquarters in Malmö, Sweden, which potentially presented major complications. While this was an advantage in terms of gaining access to key personnel in the company and avoiding potential gatekeepers, those past experiences could potentially bring certain bias to the anticipation of the outcome of the study performed, to the data collection process, as well as to the analysis of the data. The bias in reference could have been seen in a wide array of shapes and forms, but especially in leaning towards certain themes during the research, actively searching for specific evidence to support positions, and creating favorable conclusions about the participants of the study and the outcomes, which the data may have potentially illustrated, hence the great attention to our role as researchers and what that implied throughout the project process (Cresswell & Cresswell, 2018). Besides this, we as researchers intended to uphold a strict ethical standard throughout the research process, beginning prior to conducting the study, the beginning of the study, while collecting data, analyzing this data, as well as when reporting, sharing, and storing the data we had collected. We intended to protect ourselves as researchers by staying impartial and objective, as well as protecting the participants throughout the study, mainly those being interviewed. These potential biases and ethical challenges and issues called for us as authors to constantly review and question our own role and integrity, and we stayed alert to

the implications of ethical questions and choices we may have had throughout the entire research process, from idea to final report (Cresswell & Cresswell, 2018). This also means that we shared the collected data with the participants in order to ensure integrity and transparency. Here, additions, retractions, or the like could be conducted. In contributing to the academic community via this study, ensuring the integrity of our research and reporting was another important point for us to uphold.

3.6 Chapter Summary

In conducting the study of trust in M&A integration phases, a thorough and rigid methodology section was needed in order to clarify the world view of the researchers, the data collection that took place, the data analysis following this collection, as well as several considerations at the research sites, the validity and reliability aspect of the project, as well as careful considerations on reflexivity and ethical challenges and issues. It was seen that the project and we as researchers aligned ourselves with the interpretivist paradigm since we are looking to gain an understanding of the people we interview and how they experience the market in which they are working in as well as how they perceive trustworthiness in management (Creswell & Creswell, 2018). Naturalistic methods were installed, where a qualitative approach of a series of semi structured interviews were conducted as part of a case study, where a transformative worldview seek to examine the state of individuals in a larger context, being the acquisition of California Oils by AAK. In doing so, knowing that interviewees are constructing their own realities means that we as researchers had to be careful in defining answers as definite answers to the research questions, as it is equally important to gain an understanding of the phenomena studied. As mentioned, the data collection consisted of interviews at the AAK site in Malmö, Sweden, while the data analysis consisted of a rigid and thorough process of transcribing data, making use of a directed content analysis using codes defined before and during the analysis, and from there interpreting and summarizing findings and thereby establishing conclusions. In ensuring validity and reliability, a three-fold strategy of doing so was installed throughout the study, including triangulation, member checking, as well as clarifying and combatting our biases as researchers. In general, reflexivity and careful considerations made on ethical issues has been a key cornerstone in carrying out this project, as bringing integrity to everybody involved has been of utmost importance.

4. Findings and Discussion

In this chapter, the case study will be presented and the findings from this case study and the interviews conducted will be analyzed and elaborated. This section is further divided into the specific findings of the interviews, mainly referring to the Stahl et al (2011) framework as well as the data analysis codes used. After doing so, a discussion in regards to the research question will emerge with attention to its relevance and how it can contribute to an answer to the stated research question. In taking on this discussion, the literature covered in the literature review section will be considered, where similarities and dissimilarities will be taken into account. In taking on the analysis of the study, the methodology has been of great importance, it is the section that will reveal how the data was being analyzed.

4.1 The Case Study of AAK and California Oils

In 2005, Aarhus United and Karlshamns AB entered a merger, mainly driven by investor and businessman Melker Schörling who saw great synergy potential between the two oil-producers. At AAK's core business lays producing value-adding fats and oils for the food and confectionary and cosmetic industry. Sourcing raw material is a global activity, and the main raw materials sourced include rapeseed, palm, olive, soy, sunflower, shea, corn, and coconut. These raw materials are later refined to produce fats and oils for various uses (AAK, 2017).

The Food Ingredients business area is the largest in terms of sales volume. Primary solutions within Food Ingredients are solutions to the bakery, dairy, special nutrition, and food-service industries. In 2016, the Food Ingredients business saw revenue of 14,707 SEK million (USD \$1.8b) accounting for 66% of total net sales and 57% of operating profit. Put into perspective, the CCF (chocolate & confectionary) side of business accounted for around 6,117 SEK million, or 28% of net sales, 37% of operating profit (AAK, 2017). AAK updates its strategic plans continuously. The recently finalized strategic plan, AAKtion's (2014-2016) main cornerstone, was expansion in growth. AAK expands through selective acquisitions and joint venture initiations. For example, in 2014, AAK acquired CSM Benelux, in 2015: Kamani Oils, and in 2016: California Oils from the Japanese company Mitsubishi, making it an interesting M&A case company to study. These acquisitions enabled AAK to achieve decentralized autonomy, being close to its sourcing regions, reduce shipping costs, and increase margins. AAK's decentralized philosophy also enables further autonomy and responsibility for the numerous international sales offices.

By now, the case of the acquisition of the Japanese-owned American company California Oils by the Swedish company has been mentioned sporadically across the project. As mentioned, this section will cover the description of the case. As it is seen, the acquisition took place in 2016, when AAK bought Mitsubishi owned California Oils. As we are interested in understanding trust dynamics and behaviour within M&A's, this specific case is further complicated by its multicultural aspect. This multicultural aspect is in terms of AAK being a Swedish company, California Oils being an American one, while at the time of the acquisition, Mitsubishi, being a Japanese conglomerate, were the owners of California Oils, thereby installing a Japanese culture within the company, as the case data analysis will reveal. A surface-level analysis of the national cultures will reveal great differences in terms of power distance, individualism, especially masculinity, and uncertainty avoidance as well as long-term orientation and indulgence (Hofstede Insights, 2019). This not only complicated the analysis but also revealed the importance of even the smallest details in taking on an acquisition as culturally complicated as this one.

As covered in Chapter 3, the interviewees chose to be anonymous. In the anonymization process, we assigned each interviewee a respective pseudonym consisting of a relevant but not revealing title, as follows:

- Interviewee #1 (hereon referred as “IW1”) served as a high-ranking financial executive during the acquisition, on AAK’s side. IW1 spent considerable time during both the due diligence of the acquisition and the integration process. IW1 has multiple years of tenure at AAK and considerable M&A experience.
- Interviewee #2 (hereon referred as “IW2”) was working with AAK’s IT systems during the acquisition and spent considerable time on the integration process.
- Interviewee #3 (hereon referred as “IW3”) was working with sourcing and trading for AAK during the acquisition. IW3 worked with due diligence during the acquisition.
- Interviewee #4 (hereon referred as “IW4”) did not work on the AAK CalOil deal but serves as a high-ranking executive member of the AAK organization with many years of M&A experience.

4.2 Data Analysis Codes

As part of the directed approach of the content analysis illustrated below, initial pre-defined codes for the data analysis are to be presented and must be grounded in the theory used throughout the project (Hsieh & Shannon, 2005). As Stahl et al (2011) and the model presented in this paper have

been the focal point of attention throughout the project as well as in conducting the interviews; the initial pre-defined codes will take its standpoint based on this exact model. As it is when conforming to the directed approach of the content analysis, new codes can be found throughout the data analysis process, which may shed light on new findings not already covered or considered in the earlier stages of the project. This was also the case for this specific case study, where the initial pre-defined codes simply were not enough in order to understand and take advantage of the rich amount of qualitative data collected. Keeping an open mind towards the data collected and thereby the statements made has been of importance throughout the entire project up until this point and, continuing down that line, was of equally great importance when expanding the number of codes (Cresswell & Cresswell, 2018).

A process of tracking statements throughout the interviews has been conducted, where categorizing these statements into initial pre-defined codes ensured an in-depth understanding of the qualitative data collected. The initial pre-defined codes consisted of the following codes:

- *Relationship History*: The relationship between the companies pre-acquisition as well as take-over mode played a decisive role of the outcome of the relationship and establishment of trust
- *Process Variables*: The integration approach used by the acquiring company had a significant impact on the outcome of the relationship and establishment of trust
- *Ability*: functional competence, interpersonal competence, business sense, and judgment are all part of establishing trust in the relationship
- *Integrity & Benevolence*: The will to do good for the acquired firm as well as showing consistency, dependability, and reliability is part of shaping trust in the relationship
- *Openness*: The level of communication and openness determined the level of trust installed in the relationship
- *Interfirm Distance, Culture, and Value Congruence*: The cultural differences between the acquiring and acquired company played an integral role of the outcome of the relationship and establishment of trust

Additional codes were defined as the data analysis process took place, where new codes and definitions can be seen below:

- *Job Security & Perceived Benefits*: The role of communicating the matter of job security and perceived benefits to the members of the organization to be acquired played an utmost and integral part of establishing a healthy and trustful relationship between the firms

- *Social Controls*: The amount and extent of social controls such as activities including introduction programs, training, cross-visits, retreats, and the like determined the outcome of the relationship and trust installed in this

When considering separating Job Security & Perceived Benefits as a separate code from the already defined Process Variables code, we as authors found this code to be of particular importance to the interviewees gaining specific attention from these points exactly. Considering Social Controls, this clearly emerged throughout the data analysis without being touched on by the Stahl et al (2011) model or the pre-defined codes. The code was defined using Larsson and Lubatkin’s (2001) definition and received attention throughout the data analysis.

4.3 Findings on Relationship History

In coding the data collected, the first variable analyzed with statements detected was relationship history, where a total number of four specific statements were found throughout the analysis. An overview of the most central quote can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – RELATIONSHIP HISTORY</i>	
QUOTE 1 – IW4	“I think we started as early as back in 2011 at CalOil, that was a process that took a couple of years to close.”

Table 1, own making

As it is seen, initial discussions began internally in the AAK organization in 2011 about whether or not California Oils should be acquired. Besides this, further insight into the data collected could initiate that AAK had low hopes for the acquisition due to the owners of California Oils being the Japanese conglomerate Mitsubishi. AAK saw Mitsubishi as a high-distrust organization, not at all keen on selling off the American company to any competitors within the industry. This also meant that in acquiring California Oils, AAK had to spend most of their time on convincing Mitsubishi to sell off the company. In addition, there was no further indications of any other earlier collaborations between the companies, which would suggest complications in terms of establishing trust in not only the pre-deal phase but also the post-acquisition integration phase as well.

4.3.1 Discussion on Relationship History

As stated earlier, relationship history between any two companies going through a merger or acquisition has been thought of as having a great and decisive role in the outcome of the relationship and the establishment of trust. Major organizational changes, which an acquisition by its nature is, may be helped along if the partners involved in this change have knowledge of each other before the

event is taking place. Stahl et al (2011) states that relationship history both consists of the history of collaboration between the two companies, and the mode of takeover, being friendly or hostile, plays a role in establishing trust. These are also stated as being status variables. In terms of collaboration history, Stahl et al (2011) argues that both the length of the relationship as well as the quality of said same will determine how the development of trust, if even developed, will unfold over time. Rousseau et al (1998) touched upon this in their article, stating that *“repeated cycles of exchange, risk taking, and successful fulfillment of expectations strengthen the willingness of trusting parties to rely upon each other and expand the resources brought into the exchange.”* In terms of the mode of takeover, Stahl et al (2011) argues that this and the tone of the negotiations is an important factor in establishing trust and that hostile takeover attempts can lead to resistance and increased cohesiveness among the members of the organization to be acquired. Based on this, Stahl et al (2011) states three hypotheses linked to the role of relationship history consisting of: the longer the firms’ collaboration history, the higher the level of trust that target firm members have in the acquiring firm’s management; the more positive the firms’ collaboration history, the higher the level of trust that target firm members have in the acquiring firm’s management; and the friendlier the mode of takeover, the higher the level of trust that target firm members have in the acquiring firm’s management.

As can be seen throughout this short section on findings on relationship history, the relationship between the two companies can be viewed as limited. At the same time, the view as to whether success was achieved in the acquisition of California Oils or not depended very much on what department was in focus. This became especially prevalent in terms of how the acquisition was viewed in terms of takeover mode, where especially the due diligence process was heavily influenced by what was believed was a hostile takeover attempt, a lack of job security, and an overall form of distrust. The following sections will cover this in further depth.

4.4 Findings on Process Variables

In coding the collected data, the second variable analyzed with statements detected as process variables, where a total number of six specific statements were found throughout the analysis. An overview of the most central Quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – PROCESS VARIABLES</i>	
QUOTE 1 – IW1	“Companies looking for synergies and savings along those lines has to very aware of the impact of the organizational morale and have a very defined plan.”
QUOTE 2 – IW1	“The overall plan is necessary because it provides certainty. Without it (certainty, edt. note), it’s going to create resistance, political games back and forth and stress.”
QUOTE 3 – IW2	“... one of the things that were very interesting was that we knew right away that the sooner we incorporated our systems (IT, edt. note) into theirs, the better we would integrate.”
QUOTE 4 – IW4	“When we acquired CalOils, they (CalOil mgmt., edt. note) were on the flight back to Japan. So, what we did was that we took a couple of persons from our other US facilities, ... and moved them out to CalOils. That’s a big help when integrating a company.”

Table 2, own making

As the above table also illustrates and as the interviews in general state, AAK management realized very well that an overall plan is a necessary step in order to not only obtain the synergies the company was aiming at achieving but also to establish trust. In talking about this subject, certainty was a term the interviewees continued to turn to, where it was realized that this plan was needed to combat challenges in the acquisition of California Oils. While going through the process AAK undertook as part of the acquisition, it also becomes clear, that plans only work to the extent where they will get derailed at some point. As the rest of the analysis and findings will reveal, plans weren’t able to combat resistance from employees in certain departments during the entire acquisition, which in turn led to increased stress among many employees working for both AAK and California Oils. Another aspect, which becomes not only evident during this part of the analysis is that departments differed significantly in how the news of the acquisition was shared, the acquisition process took place, as well as the integration phase followed. This implies that attention to details in planning throughout the entire process is key to understanding and coping with challenges and issues, which will inevitably reveal themselves.

4.4.1 Discussion on Process Variables

As stated before, process variables captured statements on the integration approach used by the acquiring company, AAK, and how that influenced the outcome of the establishment of a trusting relationship with California Oils. Throughout analyzing the statements made on this specific code

and considering the richness of code itself, it was decided to break it into smaller sections, where, for instance, the aspect of perceived benefits and quality of communication will be accounted for in the following sections. Stahl et al (2011) argues that when companies are acquiring other companies, current systems, rules, and performance expectations are removed in order to gain control of the company quickly. A hypothesis about this process was created, stating that the greater the extent of retained autonomy, the higher the level of trust that target firm members have in the acquiring firm's management (Stahl et al, 2001). This is clearly seen throughout the interview, where especially IT played a direct role in changing anything from processes, systems, hardware and software, all of which was part of California Oil employees' every day work life. Stahl et al (2011) continues to argue that doing so can be devastating to members of the acquired organization and can create downright distrust from these people towards the acquiring company's management. While that may hold true, IW2 continues to argue that due to the lack of caretaking by the former parent company of California Oils in terms of updating and installing new systems, hardware, and software, the change was welcomed by the acquired employees, arguing that doing so created trust. More on this event can be seen in section 4.6.

Continuing down the line of quick changes, Stahl et al (2011) argues via a hypothesis that the greater the speed of integration, the higher the level of trust that target firm members have in the acquiring firm's management. The discussion on this seems to be on going, where scholars argue on one side or another. Bower (2001) argues that the speed of integration must vary from one type of acquisition to another type, meaning that for instance an overcapacity M&A must rationalize and decide what it wishes to eliminate quickly, while in a geographic roll-up M&A, speed of integration may vary based on how employees of the organization acquired react to new processes. The point of this is that the picture of how to go about this challenge isn't that clear at all. In terms of AAK, IW2 argued that speed of integration in terms of IT solutions would determine and develop trust, while IW1 might be said to have a more careful approach towards integration, arguing that the human aspect must be accounted for when planning for the integration.

4.5 Findings on Ability

In coding the data collected, the third variable analyzed with statements detected was ability, where a total number of five specific statements were found throughout the analysis. An overview of the most central Quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – ABILITY</i>	
QUOTE 1 – IW2	“... the other sites (AAK production sites in the US, edt. note) had a very diverse product portfolio while CalOil didn’t and they also had comparatively low innovation going on. So, it was very welcomed with new innovation and products.”
QUOTE 2 – IW3	“So when we shared our ideas of ‘OK, we’ll continue that safflower oil program, but we’re not going to develop it or market it, that’s not in our plan’, there was a thought of, I don’t want to say ‘disrespect’ but certainly ‘why are they doing this’ because they felt it was so integral to their business.”

Table 3, own making

From the interviews, there are clear indications that California Oils management saw AAK as a needed innovation boost. California Oils’ thin product line enabled AAK to establish trust by having experience, know-how, and innovation abilities. It was also seen, however, that some resistance was derived from AAK’s lack of a plan to develop some perceived core products. These products were a cornerstone for California Oil and its development over time. AAK had no plans for continuing with them as the overall goal of AAK was different from the exact one of California Oils and this specific product. While the ability to make a qualified and tough decision was on point, it may be deemed that there was, to some extent, a lack of empathy in terms of understanding the current situation and importance of the product lines of California Oils. Here, the aspect of different departments also has a role, where the concerns for either department are different from one another, which again will lead to different outcomes when rolling out the plan of integrating California Oils into the AAK organization.

4.5.1 Discussion on Ability

As it was seen, Stahl et al (2011) argues that ability relates to functional competence, interpersonal competence, business sense, and judgment. Basically, the people who are in charge of the company and acquisition are able to make the right choices in moving forward and whether the acquirers have the competences needed in order to succeed. Before Stahl et al (2011) gave its take on ability, Mayer et al (1995) had defined ability as that group of skills, competencies, and characteristics that enable a

party to have influence with some specific domains. As it is seen, AAK had a major impact on California Oils in terms of what it brought to the company and what it chose to change as well. Once again, the role of the different departments became clear, as in one part of the company, a broader product range introduced by AAK as well as a fresh view on innovation was warmly welcomed during the integration of California Oils into the AAK organization. While that may hold true, the fact that AAK did introduce great changes to the acquired organization is also true. Whether AAK’s management succeeded and made the right decision is not of the utmost importance in this aspect and instance compared to how these decisions were perceived by the acquired company’s employees. AAK moved forward by stating its plans to terminate, to some extent, what California Oil employees believed was an integral part of their business. Throughout the interview, it was a key cornerstone in the company, and by making this decision, the company may be running the risk of not showing its ability in making the right decisions for the business (Stahl et al, 2011).

4.6 Findings on Integrity & Benevolence

In coding the data collected, the fourth variable analyzed which statements detected focused on integrity and benevolence, where a total number of nine specific statements were found throughout the analysis. An overview of the most central Quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – INTEGRITY & BENEVOLENCE</i>	
QUOTE 1 – IW1	“We had to build trust by constantly pushing positions, communicating that we were buying them in their best interest.”
QUOTE 2 – IW1	“We had to communicate with them that the less information we were given, the less of a price we could give them to the company.”
QUOTE 3 – IW2	“From an IT perspective they stopped getting new PCs and upgrading. ... We had to put a lot of work into the infrastructure to give a better working experience ... we’re going to take you out to our new plant in Louisville so you can get an idea of what you can do with the new infrastructure.”
QUOTE 4 – IW2	“The key thing about trust is you have to listen, but also be firm. ... You have to be able to be firm and then work through and walk through why it is wrong.”
QUOTE 5 – IW2	“So when you do that, involve all people, you build trust – you can’t just ‘shove something down their throat’ and solve problems together.”
QUOTE 6 – IW4	“... but also walk-the-talk. Normally, we always have the CFO and CEO out there. ... participating in the town hall meeting and so forth.”

Table 4, own making

The interviewees often reverted back to the idea of integrity and benevolence. Benevolence refers to AAK's perceived good intentions, and numerous sentiments of that were reflected in the interviews with varying approaches in terms of departmental differences. Going through the rich amount of data, the will to do good for the acquired company and the company in general was continuously stated, where especially the department of IT continued to provide examples on the actual upgrades in terms of hardware and software across the company as well as how California Oils employees were shown what systems and processes looked like at the production site located in Louisville, Kentucky, US. Interviewees also continued to express the importance of walking the talk, continuously listening to the employees within the acquired company while also being firm as to what AAK as a company wanted to change and gain from the acquisition. It was easy to see that it AAK was walking a fine line when pushing their own agenda, a change throughout the organization, which could introduce several issues in the relationship and in terms of establishing trust. Nonetheless, AAK believed that an approach of pushing for change to take place while keeping on going discussions and meetings running with California Oils employees, where the interviewees believed the approach was useful and giving. When being pushed by and questioned on this subject, AAK did continue to state that all people were involved in the change process, stating that simply forcing change onto people whilst trying to solve issues and challenges together simply wasn't an option.

4.6.1 Discussion on Integrity & Benevolence

As already stated, integrity and benevolence refers to the will to do good for the acquired company as well as showing consistency, dependability, and reliability, which are all part of establishing trust in the relationship (Stahl et al, 2011). Furthermore, Mayer et al (1995) continues to highlight and stress the link between what is being said and what is being done, stating that this is an important factor in establishing integrity and thereby trust. Building trust by constantly communicating the will to do good, stating why the company is even acquiring the company at hand, being consistent in its words, and showing integrity throughout actions is a key element in building trust. It is clearly seen throughout the mentioned statements and the interviews in entirety that AAK faced challenges in establishing trust in terms of these parameters, even though also stating that these challenges were faced via communicating with the organization and acting upon its words. As covered above, the ongoing issue of how different departments viewed the acquisition was yet again a differing element, where especially IW2 presented specific examples of how these challenges were coped with not only communication wise but also in terms of for instance showing employees the systems at the production site in Louisville, Kentucky, US. Mayer et al (1995) continues along this line of thought

and states that the relationship between trust and integrity involves what the trustor, in the case of M&A the acquired company's members, has a perception of what the other person's value and belief system consists of and that this is found to be acceptable. Another aspect and important step in securing integrity is the importance of consistency, where employees will see the consistency in how managers in general first tell the truth and second keep its promises (Whitener, et al., 1998). This has several complications in terms of the acquisition case at hand. While it may be argued throughout the interviews that several measures were installed in order to maintain integrity and certainty that the message of benevolence and will to do good was being heard, another thing is how it is perceived by the trustors. This means that while having on going discussion running with California Oils employees, these employees may not feel that what they are saying during these meetings is truly heard, taken seriously, and taken care of. Motivation, and thereby the development of trust, may take a serious hit in this situation.

Stahl et al (2011) continues to state that benevolence involves a concern for the welfare of the employees of the acquired company, where managerial implications include: acting in a way that protects and respects the interests of the employees, being sensitive to these employee's needs, and acting morally in the sense of not exploiting the employees for one's own benefit in an already sensitive situation. While coping with challenges concerning whether employees are truly heard in the process, AAK also continues to state that measures were put into place to ensure just that. IW2 brought several sensitive statements to the table, where the one that stood out was the simple act of involving people throughout the change and not only tell people what to do and expect them to cooperate with them. Ensuring integrity and benevolence will continue to be a challenge in M&A deals, both pre- and post-acquisition, but statements have led to us to believe that even though certain risky actions may have been carried out, measures were installed to cope with issues and challenges throughout the process.

4.7 Findings on Openness

In coding the data collected, the fifth variable analyzed with statements detected was openness, where a total number of sixteen specific statements were found throughout the analysis. An overview of the most central Quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – OPENNESS</i>	
QUOTE 1 – IW1	“When things are different, people are going to lose trust – here communication and information was key.”
QUOTE 2 – IW3	“... CalOils, they were very closed. Therefore, we had super limited access to information from them. ... they didn’t even let us interview the different staff or managers. We were so kept away from information.”
QUOTE 3 – IW3	“... So it was a complex and tedious process to glean information on the actual process in which they were doing things, and all the while knowing this (data being analyzed, edt. note) wasn’t their current position, their current purchase and sales obligations.”
QUOTE 4 – IW3	“... So there was this dynamic of almost an unwilling party to share and doing the due diligence.”
QUOTE 5 – IW3	“It was very difficult to get information.”

Table 5, own making

Openness and the aspect of communication was a central theme in the interviewees’ responses. There were several indications of the dynamics of trust being heavily influenced by openness from the acquiring and acquired company’s side. Trust was furthermore often interlinked with the lack of communication, thus implying that openness is crucial part of establishing trust. From the interviews, it can also be seen that AAK was keen on remaining open with its acquisition intentions, while California Oils’ top management was reluctant to share information throughout the acquisition process. One interviewee thoroughly described an incongruent relationship between two of California Oils top executives and AAK’s team during the due diligence process. This lack of openness led to several difficulties in assessing CalOil’s overall business performance, trading positions, and sales obligation as the California Oils executives were reluctant to share relevant information. This made the due diligence process severely tedious.

4.7.1 Discussion on Openness

As mentioned, openness receives great attention throughout the interviews. Openness, one of the central parts of the Stahl et al (2011) framework, obviously received attention within the research. Stahl et al (2011) states that a person can be considered to be open to the extent of which this person freely shares thoughts, feelings, and information with another, which in turn will foster trust in the relationship. IW3 covers this specific aspect well, where several statements were made that back up the definition of openness provided by Stahl et al (2011) in terms of staying closed and forging a dynamic where several processes throughout the acquisition were at a point of almost being abandoned. Whitener et al (1998) also states that communication and accuracy in communication is part of openness. In general, research states that being open can increase trustworthiness when both employees and managers are communicating in an honest and precise manner. The aspect of honest and precise communication was shown to be another important aspect of AAK's plan to acquire and integrate California Oils into the organization, where IW1 mentions the importance of communication and information sharing, stating it's a key element in creating trust.

Continuing down the line of research, this also goes hand in hand with Stahl et al's (2011) hypothesis on communication and openness, which states the higher the quality of communication by the acquirer, the higher the level of trust that target firm members have in the acquiring firm's management. While the above-mentioned statements were selected due to its dramatic look into how communication and openness were a great issue, other aspects of the interviews have shown that, as it has already been seen, there is a significant difference from department to department. IW1 and especially IW2 were at the forefront of an acquisition integration approach, which was significantly more positive compared to IW3. While communication and openness were ranked high on all interviewees' agendas, other factors were seen to have had a key influence on how trust in the acquiring company, AAK, was perceived. Job security and perceived benefits were of great importance in this process, which is something that will be covered later in this section.

4.8 Findings on Interfirm Distance, Culture, and Value Congruence

In coding the data collected, the sixth variable analyzed with statements detected was interfirm distance, culture, and value congruence, where a total number of ten specific statements were found throughout the analysis. An overview of the most central Quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – INTERFIRM DISTANCE, CULTURE, AND VALUE CONGRUENCE</i>	
QUOTE 1 – IW1	“... National culture is the number one component of a cultural match.”
QUOTE 2 – IW1	“Remember the Japanese tradition: you belong to a company for the rest of your life.”
QUOTE 3 – IW1	“The first and most important aspect of building trust is definitely the cultural aspect – again, Japanese/American and European/Swedish.”
QUOTE 4 – IW1	“... For example, AAK is doing business in a far far more short-term way than the traditional Japanese way of doing business, which is more long term.”
QUOTE 5 – IW2	“California is like another country.”

Table 6, own making

The AAK California Oil cultural dynamic was often described as heavily influenced by a cultural context. The mix of cultures between California Oils being inherently an American company while governed by a Japanese parent company had implications on the establishment of trust in the integration process, especially considering the acquisition by a Swedish company. The interviewees all mentioned the cultural context at some point during the interview. The Japanese hierarchical governance structure combined with the traditional Japanese long-term view of both employee and employer relationships and ways of conducting business led to incongruities with the American and Swedish influenced ways of conducting business. The interviewees mentioned how this clashed with the much different approach that the Swedish acquirers brought to the table in terms of moving faster with the acquisition at hand and the changes it wanted to install during the integration phase. The respondents were again heavily referring to culture as the bridge to trust, where interviewees referenced beliefs that culture is a fundamental component in succeeding with acquisitions. The importance of openness was only mentioned to a very limited extent when talking about cultural differences, while the shock and the cultural clashes dominated the interviewees’ responses to questions on this topic, which may imply a complex outcome when coping with the challenges the differences presented.

4.8.1 Discussion on Interfirm Distance, Culture, and Value Congruence

In covering the Stahl et al (2011) framework on trust, it was seen that a strong link between value congruence, interfirm distance, and culture existed. This was seen both from an organizational

viewpoint as well as from a human one, where for instance shared norms, goals, and value set can help in establishing trust between the joining companies. Where these issues and challenges may be viewed as differences spanning from organization to organization or human to human within the same national borders, Stahl et al (2012) further complicates these findings with the aspect of cross-border M&A's, where cultural differences had a significant impact on the establishment of trust. Trust is known to be a key factor in M&A success and culture being part of that is deemed to be an equally important determinant in implementing strategies in general and in M&A deals (Nahavandi & Malekzadeh, 1988). It became clear when undergoing the interviews that culture had played a significant part of the acquisition of California Oils. It was seen that all interviewees had issues in finding the right words of describing and going through the cultural aspects of the change that took place, which we as authors believe only adds to what seems to be the truth, that cultural differences do in fact affect trust-building in cross-border M&A deals. As already mentioned, the acquisition was not only complicated in its nature by being a Swedish company acquiring an American one, but also that the American company was influenced, in many aspects including culture, by its Japanese parent company, Mitsubishi. Both IW1 and IW2 pointed towards several differences in culture in terms of the differences between nations. Several definitions exist but Schein (1996) defines culture as *“the set of shared, taken-for-granted implicit assumptions that a group holds and that determines how it perceived, thinks about, and reacts to its various environments.”* It is also mentioned that these norms are so embedded in members of a culture that they are not aware of their own cultural norms until another culture is encountered (Schein, 1996). It can be interpreted from the interviews that the cultural aspect, especially considering the differences between nations, was a shock to all members of the different organizations across the globe and has been part of a learning curve over time when coping with the challenges that may have come forth. This follows the line of thought stated by Nahavandi and Malekzadeh (1988) in their already-mentioned 1988 article. The authors saw that underlying assumptions creating several subcultures may be seen. These may differ in terms of and along occupational, functional, product, or geographical lines, which in turn may further complicate the cultural aspect of M&A's and thereby affect the establishment of trust (Stahl et al, 2012). Stahl et al (2011) continued along the lines of conducted research and stated in their paper that the greater the cultural distance, the lower the level of trust that target firm members have in acquiring firm's management. While having great impact on all aspects, culture may also be tied to the challenges brought to the table in terms of job security and perceived benefits, which will be covered in depth in the following section.

4.9 Findings on Job Security & Perceived Benefits

In coding the data collected, the seventh variable analyzed with statements detected was job security and perceived benefits, where a total number of twelve specific statements were found throughout the analysis. An overview of the most central Quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – JOB SECURITY & PERCEIVED BENEFITS</i>	
QUOTE 1 – IW1	“... the very first thought, that any company staffing is going to have is never ‘how great that is going to be for the organization’, it’s always ‘am I going to lose my job or keep it’.”
QUOTE 2 – IW1	“AAK is saying ‘we cannot afford that pension plan. We’re going to provide what we provide for the rest of the AAK population’.”
QUOTE 3 – IW2	“We all felt exciting about the opportunity, they were very excited to get new possibilities and felt that AAK could contribute. There was no worry about job security or anything like that. We just clicked.”
QUOTE 4 – IW3	“We had agreed in the purchase of CalOils that this Head of Trading should stay on for a month, after three weeks myself, the CFO and my colleague determined that he was of no use ...”
QUOTE 5 – IW3	“... both of the individuals really liked their job security ... They knew that once they were no longer needed, they were going to be placed in different positions, neither in the US.”

Table 7, own making

As it has been seen throughout the interviews, respondents who identified least trust-based resistance were those who also worked in departments with the most job security, where IW2 within IT for instance stated, that no worries in terms of job security was seen and where the relationships flourished compared to other parts of the organization. The integral part of trust and reduced resistance is therefore linked to job security, in the view of the respondents. The link between perceived benefits of the acquisition and compensation packages is also clear. IW2 mentions that the department IW2 worked in all felt excited for the opportunity, as California Oils’ employees became an integral part of the future of the relationship. Viewpoints on the contrary end of the spectrum existed as well, where especially IW3 experienced heavy resistance as the counterparties were bound to get released from their California Oil duties as part of the integration of the company. As seen throughout the data analysis and findings parts of this section, the relationship between these individuals has suffered during the entire M&A deal process. The concern whether these individuals

were going to keep their jobs or not played a part in basically all aspects of the acquisition, including the extent of openness provided and thereby the ability of the acquiring company's management to make and execute decisions during the acquisition process.

4.9.1 Discussion on Job Security & Perceived Benefits

The role of job security and perceived benefits had an integral part in establishing trust in this acquisition. Those who succeeded in communicating effectively, at great speed, and managed to secure the jobs of the current employees were those who managed to secure a great level of trust in the respective departments. When considering the literature on the subject, early frameworks on M&A resistance stated, that career implications were found to be one source of cultural clashes and employee interpretations (Larsson, 1990). Besides this, a link between how individual resistance may affect overall collective resistance was found as well; the opposite effect existed as well, wherein mob-mentality could affect individuals and how they thought of the acquiring organization (Larsson, 1990). Larsson (1990) continued to present propositions that individual employee resistance will increase when the more increased work contributions, the more decreased rewards, the more decreased job security, the more reduced advancement opportunities, and the more negatively upset career planning is seen in the post-acquisition landscape. These propositions go hand in hand with the statements brought forth by IW3, where negative career implications on the termination of these individuals' positions within the company directly affected the relationship between the acquiring company's management and California Oils in this department. The contrary is also seen throughout the interview, where IW2 states how upgrades to work life on site as well as stating job security and renewed chances of advancement opportunities throughout the department led to positive relationships between the acquiring company's management and the employees. Doing so was recommended by Larsson et al (2001), where he argued that by recognizing and supporting different motivational factors of employees, the employee retention rate will stay positive and generate less resistance to the acquisition. While the framework of analysis does arrive from the Stahl et al (2011) framework, the authors only built on this phenomenon to a comparatively minor extent. It was stated that employees' reactions towards a deal taking place involving their own organization are more prone to only consider their own well-being in terms of personal benefits and losses attributed to the takeover (Stahl et al, 2011). The authors concluded with a hypothesis that the greater the perceived benefits from the takeover, the higher the level of trust that target firm members have in the acquiring firm's management, which is a statement that is well-aligned with the findings of the interviews conducted.

4.10 Findings on Social Controls

In coding the data collected, the eighth variable analyzed with statements detected was social controls, where a total number of three specific statements were found throughout the analysis. An overview of the quotations can be seen in the table below.

<i>CENTRAL SELECTED QUOTATIONS – SOCIAL CONTROLS</i>	
QUOTE 1 – IW2	“As a matter of fact, we’re going to take you out to our new plant in Louisville so you can get an idea of what you can do with the new infrastructure.”
QUOTE 2 – IW2	“Inclusivity. And set up activities that are of a different level of interaction, away from site. You have your daily meetings, but I think it’s really important to also meet outside work to really interact and find common denominators, building up camaraderie and trust.”
QUOTE 3 – IW3	In one instance where we interacted outside of work, the two individuals got a (counterparties, edt. note) (...) started to blatantly question the reason for us buying the facility. To the point where we were uncomfortable. I don’t think there were any friendship or camaraderie.

Table 8, own making

In going through the interview process, social controls were the second post-defined code introduced. Social controls such as activities outside of work to increase camaraderie and establish trust between the parties are mentioned by IW2 and IW3. IW2 explains that these types of activities were integral to integration, where cross-visits to the AAK plant in Louisville, Kentucky, US proved to be a helpful activity. While this may hold true for this department, IW3 experienced increased resistance as the setting opened to factors that influenced professional behaviour. As it has been seen throughout the findings sections, this department has seen hardship in forging a trustful relationship between the parties, where several findings throughout the interview pointed towards attempts to foster camaraderie outside of work that eventually failed.

4.10.1 Discussion on Social Controls

In the framework by Stahl et al (2011) discussed throughout this project, social controls do not receive attention in terms of enabling the creation of trust between the companies and its members. While that may hold true, social controls needed attention throughout the interviews and this research project, where it can be seen in the statements given that attempts to install such measures either succeeded or failed to install trust. Nonetheless, they were attempted and the interviewees found that the members of the organizations knew each other to some extent of camaraderie outside of work

was an integral part of installing trust as well. While Stahl et al (2011) may not give this much attention throughout their article and framework, the phenomenon of social controls has received attention from elsewhere, especially Larsson and Lubatkin (2001) who considered how companies could achieve acculturation in M&A's. It was suggested that in achieving acculturation the informal integration of the companies and their employees become an important element in exactly that. Larsson and Lubatkin (2001) continued to argue that the informal integration should rely on social controls, the above-mentioned activities, such as: introduction programs, cross-visits, social gatherings outside the work-site, and much more. Explaining how these measures varied from department to department may again depend on the above-covered aspect and findings on job security and perceived benefits. It may be thought of that installing these measures will have no positive effect if certain employees, for instance those mentioned by IW3, will no longer be part of the organization within the foreseeable future, which may explain the failed attempt to socialize outside of work with these individuals. In terms of the findings made by Larsson and Lubatkin (2001), these were deemed to be robust, as the social controls installed would help no matter how related the two companies were in synergy expectations, relative organizational size, and differences in nationality and thereby organizational and individual culture (Larsson & Lubatkin, 2001). All of this once again brings attention to the issues and challenges job security and perceived benefits may introduce.

4.11 Chapter Summary

In taking on the analysis of the data collected, a set of initial pre-defined codes were presented, including Relationship History, Process Variables, Ability, Integrity & Benevolence, Openness, Interfirm Distance, Culture, and Value Congruence, all arriving from the Stahl et al (2011) framework previously discussed. Going through the data during the analysis rounds, it became clear that certain codes had to be broken into separate codes, bringing two additional defined codes of Job Security & Perceived Benefits as well as Social Controls to the study. In covering the findings of these codes, it was clear that all codes had a role in the overall goal of establishing trust between the parties, but at the same time, it also became evident that certain codes had a greater responsibility in how trust was established between the acquiring company's management and the employees of California Oils than others. Throughout the data analysis part the pre-defined code of Process Variables was further split into Job Security & Perceived Benefits, which when combined with the level of Openness became a decisive factor in the different outcomes of the different departments across California Oils and AAK. The different departments had very different experiences in installing trust in the new relationship, where different tools were mentioned. The one tool that did stand out was stating what the future of

the employees working at California Oils looked like in terms of job security, compensation schemes including pension and insurance, how their careers could develop over time, and much more. Career implications received minor attention throughout the Stahl et al (2011) paper compared to previous research on the topic by for instance Larsson et al (2001), and in analyzing the data, it became clear, that ensuring job security and openness was a decisive factor in creating trust and thereby succeeding with the M&A deal. While having covered job security and the importance of addressing career implications when acquiring another company, social controls was the second later-defined code worked with, where the data pointed towards installing these measures would increase the level of trust between AAK management and California Oils employees. While this may hold true, it doesn't change the obvious in conducting these interviews and data analysis, that job security was at its utmost importance and had to be covered by AAK when looking to establish trust in the working relationship.

5. New Findings and Model Expansion

In light of the findings described, we would like to expand the Stahl *et al* (2011) model of trust in M&A's. Our findings describe variables that are lacking in the model of trust; *career implications* and *individual perception* of trust are integral parts of integration and perceived trust. We argue that individual trust implication is an important unit of analysis as research is conducted on a consolidated level, while job security is a crucial factor in establishing trust. As it was seen in the chapter summary of chapter four, social controls was the second post-defined code detected, but while presenting opportunities in terms of optimizing the contemporary Stahl et al (2011) model, it was also seen that job security and perceived benefits were the overall and driving factors of establishing trust between the parties, meaning the attention will be given to that.

5.1 Individual Trust Implications

When covering the model by Stahl et al (2011), it is seen that trust is a means of being developed by an organization aiming towards a collective group of members in a different organization, which is being acquired. In taking on the qualitative research, the data revealed how specific individuals in specific departments can not place trust into the acquiring company's management and how this can bring great implications and challenges to the relationship being forged.

"... both of the individuals really liked their job security ... They knew that once they were no longer needed, they were going to be placed in different positions, neither in the US." - Central Selected Quotations – Job Security & Perceived Benefits, Quote 5, IW3

In realizing this, we as researchers had also realized the lack of attention throughout the paper and model by Stahl et al (2011) towards the individual aspect of establishing trust. The aspect of collective and individual resistance is nothing new to the field of M&A and has been covered by researchers and throughout the literature. In facing resistance towards M&A's and the thereby following trust-related issues that may surface based on this resistance, Larsson (1990) argues that individual resistance influences collective resistance where individuals adds a notion of resistance by voicing their own opinions on the M&A taking place. Larsson (1990) adds that the opposite also exists.

Therefore, the importance of understanding the individual implication is of great importance and must be taken into account when establishing trust and expanding the framework by Stahl et al (2011). Stahl et al (2011) do recognize that trust exists on different levels throughout the organization, but

understanding the changes that the organizational change is posing on the individual itself, what implications this will have on the individual, and how this will affect the level of trust this individual will put into the relationship, must be highlighted. In short, the link between individual resistance to the M&A taking place and to what level the trustor will in actuality trust the acquiring company's management is viewed as being weak when the conducted research in this project has proven that the link is in fact a strong one. Lewicki & Bunker (1996) argued that trust is a function of time, meaning that trust will be established over time by going through a sequence of calculus-based, to knowledge-based, to identification-based trust phases, which in this thesis has been challenged by determining factors. Rousseau et al (1998) defines trust as *“a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of another.”* When considering the definition of trust by Rousseau et al (1998), placing trust in another party means that the individual doing exactly this needs to know what to expect in return, meaning if the acquiring company management does not consider this individual, this will introduce implications and challenges.

5.2 Individual Career Implications

While Stahl et al (2011) describe “perceived benefits” as a process variable, the model fails to capture the importance of job security as a crucial variable. Throughout the conducted interviews, job security and career implications were mentioned as an enabler and factor in establishing trust between the acquiring and acquired firm. IW1 in Section 4.9 expressively mentioned job security as a crucial factor

“... the very first thought that any company staffing is going to have is never ‘how great that is going to be for the organization;’ it’s always ‘am I going to lose my job or keep it?’” –
Central Selected Quotations – Job Security & Perceived Benefits, Quote 1, IW1

We are therefore implying that job security and perceived benefits should be treated as a superseding variable, whereby any other variable, such as cultural distance and/or performance differences, becomes irrelevant. From our interviews, and as described in section 4.11, trust resistance was described as the largest barrier, and we found that it serves as a variable superseding the process and system variables. Combining that with the interpretation of the Rousseau et al (1998) definition of trust, keeping, and at least knowing the situation on one's own job security and perceived benefits, one's job can therefore be viewed as the baseline for trust development. In section 4.7 “Findings on

Openness,” the importance of job security becomes imminent, as the described openness diminished when job security was uncertain. The aspect of the quality of the communication being provided for job security and perceived benefits as well as the speed of this communication was also interpreted to be of importance. Given that the interviewees mention how, when encountering resistance, a speedy process of ensuring the communication was brought to the table affected the establishment of trust, this was seen as a crucial part. While the speed might be of importance, the communication provided on job security and perceived benefits must be of high quality, meaning precise and to the point. This ties together with the findings on openness, and while being mentioned by Stahl et al (2011), this aspect needs to be highlighted in any which way, as it is crucial in establishing trust.

Larsson (1990) gave insights into how different types of M&A’s could affect employee resistance, where overlapping M&A’s could increase the possibility of negative disruption. Individual career implications are dependent on the mode of M&A, as described by IW4 (e.g. growth or cost synergistic acquisition), which later creates implications on a departmental level. In instances when trust was established frictionless, such as in the case of IW2, the departments’ employees were excited about the opportunity and the level of job security was high. However, the lack of trust only decreased after taking appropriate actions, such as installing social controls, openness, and clearly communicating the job security and perceived benefit aspect. Diametrically, the depletion of trust, as described by IW3, was caused by the acquired firm’s management, due to their tenure at the company coming to an end. This distinction is lacking in Stahl *et al*’s (2011) model, as the analysis is made on an aggregate, organizational level that was not taking the individual aspect wholly into account. We are therefore arguing that the model expansion should include the implication of job security, and take into account the varying levels of departmental and individual levels of trust.

Interestingly, the aspect of career implications, job security, and perceived benefits has been covered throughout the years, to some extent, by researchers. Larsson (1990) covered, as it has been seen already, that career implications present major challenges for companies undergoing M&A’s. As it has also been seen, Larsson et al (2001) continued down this line of research, stating that waves of M&A’s forcefully change career paths of employees in organizations, taking an individual approach to the challenge. Larsson et al (2001) continued to argue that coupling the goals of the M&A with new motivational factors for employees should be a key cornerstone in taking on M&A’s, and that by recognizing and supporting different motivational factors of employees as well as crafting

individual competence profiles, the employee retention rate will stay positive and generate less resistance to the acquisition. What may have been highlighted in the Larsson et al (2001) paper seems to have been excluded in the research conducted during the following years, but as the research conducted in this thesis reveals, it is worth taking up the individual aspect when crafting trustful relationships between the acquiring firm management and individuals in the organization to be acquired.

5.3 Chapter Summary

In drawing on the analysis conducted in Chapter four, it was seen that job security and perceived benefits were of utmost importance, which in crafting this specific chapter has led to these insights being considered as a greater and more integral part of the Stahl et al (2011) framework. We conclude that the Stahl et al's (2011) model lacks emphasis on the importance of less consolidated individual trust implications, while also disregarding job security and career implications as crucial factors in reaching the trust establishing period on an individual level rather than an organizational level. Throughout this chapter, it is argued that when considering the Rousseau et al's (1998) definition of trust, placing trust in another party means that the individual who's choosing to do exactly that needs to know what can be expected in return. This introduces major implications for the acquiring company's management in establishing trust. Ensuring that individuals receive high quality communication, meaning a specific and precise message, in terms of job security and perceived benefits and that this communication is delivered quickly are crucial parts in establishing trust. As seen, Stahl et al (2011) describes "perceived benefits" as a process variable. While being part of the process of integrating an acquired company, we believe that the model fails to capture the importance of job security as a crucial variable. Throughout the conducted interviews, job security and career implications were mentioned as an enabler and hygiene factor in establishing trust between the acquiring and acquired firm, underlining the need for this aspect to be covered to a greater extent in the framework. When following this line of thought, ensuring speed and quality in communicating the aspect of job security and perceived benefits becomes the very baseline in establishing trust between the acquiring company's management and the acquired company's employees.

6. Conclusion

This chapter will first present a summary of the main findings revealed throughout the project as well as an answer to the research question stated in the first chapter. Next, limitations of the research conducted will be covered. Besides this, this chapter will focus on the implications towards practitioners as well as academia, where the latter will receive attention in regards to opportunities for future research within this field.

6.1 Main Findings

The main purpose of the research conducted was to contribute to not only the academic society but companies and its employees as well. Throughout our academic journey, it has become clear that M&A's continue to fail, and it became clear that trust-related issues were a key part in terms of coping with M&A integration issues. It was our purpose to ensure that suggestions were made so that companies and the people working for these companies could see an improvement in terms of job satisfaction.

In answering our research questions, the contemporary framework by Stahl et al (2011) was chosen as a starting point for our research. It assisted us in obtaining a rich data collection of the M&A case of AAK and California Oils. In terms of the first part of the research question, "*What role does the acquiring firm's management have in ensuring the development of trust?*" it was seen that the acquiring company's management played an integral, major, and leading role in the development of trust. The findings covered throughout the project revealed that management had a major impact on employees at the acquired company in terms of the five attributes provided by Stahl et al (2011). Besides this, codes also revealed how the role of the acquiring company's management was greater than installing these attributes, where management has a major role in recognizing and appreciating the individual aspect of the integration and, as we argue based on our research, addressing the topic of job security and perceived benefits becomes a decisive factor in determining the success of the integration.

Stating this leads to an answer to the second part of the stated research question: *how trust between the acquiring- and acquired firm in the integration phase can be established in the value added ingredient industry*. As mentioned in Chapter four, Stahl et al (2011) describes perceived benefits as a process variable, but while that may hold true, we argue that the model fails to capture the true essence and importance of job security and perceived benefits as a crucial variable. Career

implications were mentioned as an enabler and hygiene factor in establishing trust between the acquiring and acquired company. Specifically for this part of the research question, this means that ensuring both quality and speed in communicating the aspect of job security becomes the predominant task of the acquiring company's management to take on and fulfil. We argue that all other aspects concerning establishing trust become less important and to some extent irrelevant when the aspect of job security and perceived benefits are not addressed. Employees of the acquired company simply need an answer on what their future looks like, and when combining that with the definition on trust provided by Rousseau et al (1998), it becomes clear that in order for people to pursue a risky situation the said same people must know what can be expected in return, stressing the need for quality and speed in communicating the matter of job security and perceived benefits.

6.2 Limitations

One main limitation of the thesis consists of the point of view this thesis has taken on the acquisition at hand. The perspective seen throughout has been from the perspective of AAK, being the acquiring company. Throughout the project, it was important for us as researchers to realize this point of view, meaning that the tools of considering both that and our own role as researchers mentioned in Chapter three came into use. Gaining the perspective of former California Oils employees could have added to an already interesting thesis as well as coping with this limitation. Building on this, the challenges in how interviewees construct their own social reality have been a limitation as well, where it was difficult for us as researchers to distinguish between how the interviewees made sense of their experiences in this M&A and what actually took place in the overall process.

Another important limitation consists of the large amount of research that has been conducted in the areas of interest as well as the specific framework by Stahl et al (2011), where every aspect becomes challenging to cover. This was specifically seen when coding the data collected. The solution was found in the methodology chosen and the qualitative content analysis and directed approach process undertaken, where we left room for pre-defining codes as well as staying flexible, thereby aligning with our chosen research design (Hsieh & Shannon, 2005). In order to wholly work with the entire framework provided by Stahl et al (2011), following the acquisition as it took place from start to end and future would have provided an even better understanding of how trust was established between the parties.

Finally, it is worth pointing out and recognizing that it was our ambition to make a contribution towards mainly academia as well as practitioners, meaning we recognize that the expansion of the Stahl et al (2011) model is made from our own point of view and subjective standpoint, while still being valid according to the interpretations made of the research findings.

6.3 Implications

The research conducted and the answers to the research question was expected to present both practical as well as research implications. The main bulk of implications are seen on the practitioner's side while similarities exist for researcher. All are covered in the following.

6.3.1 Practical Implications

As it is stated in the main findings, the acquiring company's management plays an integral and major role in establishing trust between the parties. It is also highlighted that managers must recognize and appreciate the individual aspect of the integration and, as we argue based on our research, address the topic of job security and perceived benefits as quickly and clearly as possible. In doing so, it is furthermore argued that addressing this becomes a more important task compared to other tasks, as trust won't be established before this exact matter has been taken up, communicated to individual employees, where the communication must be of high quality and arrive at speed. This has clear implications to practitioners and managers. Undertaking M&A's and managing these can be recognized as being highly complicated in terms of not only the technical part of doing so but also considering the change management aspect. When having said so, the research conducted as part of this thesis gives a clear look into the fact that job security and perceived benefits must be addressed as early as possible with a clear and precise message aimed at individual employees. Addressing specific individuals can be a complicated task for top management, but even so, staying closer to individuals and communicating these matters with quality and speed is crucial and must be prioritized by management of all levels.

6.3.2 Research Implications

Considering research implications, some of the same patterns are seen in this category. This study has proposed a far more individual outlook on the topic of establishing trust between the acquiring company's management and its employees. Implications are seen in the very objective of research itself conceptualizing and theorizing on specific topics in order to draw general propositions. In terms of the findings presented with this thesis, research must look to the individual aspects and, to some extent, move away from the conceptualization that is otherwise highly valued. As it is seen, the matter of trust is a very individual one, both based on the framework presented by Stahl et al (2011) and the

definition on trust provided by Rousseau et al (1998). This will, in any which way, present major implications and challenges moving ahead, which the following section will further consider.

6.4 Future Research

We believe that further substantial research into the M&A integration phase, trust implications, and managerial tools to establish trust are needed. The M&A climate continues to be hot, and with increasing globalization and opening of the global markets, cross-border M&A's will certainly be a lucrative growth strategy for firms. Coupled with consolidators soaking up market shares, research could contribute valuable insights into managerial tools to combat distrust between the acquiring and acquired parties. We also invite future researchers to conduct (and complement Stahl et al's (2011) model of trust) on "hygiene factors of trust," our research suggests that job security is a crucial factor, but further research is needed. We also invite future researchers to develop frameworks to further understand the individuality of trust and how congruent departmental trust affects the totality of the trust paradigm. A final element of trust, which we found to be of interest in terms of establishing trust were social controls. Although not further covered in this thesis due to job security and perceived benefits, we believe it would be of value putting research efforts into how social controls can be integrated into this framework by Stahl et al (2011).

Bibliography

- Aguilera, R. V. & Dencker, J., 2004. *The Role of Human Resource Management in Cross-Border Mergers and Acquisitions*. s.l.:The International Journal of Human Resource Management.
- Berry, J. W., 1983. *Acculturation: A comparative analysis of alternative form*. s.l.:University Press of America.
- Björkman, I., Vaara, E. & Stahl, G. K., 2007. *Cultural Differences and Capability Transfer in Cross-Border Acquisitions: The Mediating Roles of Capability Complementarity, Absorptive Capacity, and Social Integration*. s.l.:Journal of International Business Studies.
- Bower, J. L., 2001. *Not All M&As Are Alike - and That Matters*. s.l.:Harvard Business Review.
- Cordeiro, M., 2016. *Camaya Partners*. [Online] Available at: <https://camayapartners.com/wp-content/uploads/2016/06/The-seventh-MA-wave.pdf> [Accessed 12 April 2018].
- Creswell, J. W. & Creswell, D. J., 2018. *Research design: Qualitative, Quantitative, and Mixed Methods Approaches*. s.l.:s.n.
- Cretin, F., Dieudonné, S. & Bouacha, S., 2014. *M&A Activity: Where Are We In the Cycle?*, s.l.: Alternative Investment Analyst Review.
- Doney, P. M., Cannon, J. P. & Mullen, M. R., 1998. *Understanding the Influence of National Culture on the Development of Trust*. s.l.:Academy of Management Review.
- Duff & Phelps, 2019. *Food and Beverage M&A Landscape*. [Online] Available at: <https://www.duffandphelps.com/-/media/assets/pdfs/publications/mergers-and-acquisitions/industry-inserts/consumer/food-and-beverage-ma-landscape-winter-2019.ashx> [Accessed 20 April 2019].
- Graebner, M. E., 2009. *Caveat Venditor: Trust Asymmetries in Acquisitions of Entrepreneurial Firms*. s.l.:The Academy of Management Journal.
- Haleblian, J. et al., 2009. *Taking Stock of What We Know About Mergers and Acquisitions: A Review and Research Agenda*. s.l.:Journal of Management.
- Hofstede Insights, 2019. *Country Comparison*. s.l.:Hofstede Insights.
- Hsieh, H.-F. & Shannon, S. E., 2005. *Three Approaches to Qualitative Content Analysis*. s.l.:Qualitative Health Research.
- Jones, G. R. & Butler, J. E., 1988. *Costs, Revenue, and Business-Level Strategy*. s.l.:The Academy of Management Review.

King, D., Dalton, D. R., Daily, C. M. & Covin, J. G., 2004. *Meta-Analyses of Post-acquisition Performance: Indications of Unintended Moderators*. s.l.:Strategic Management Journal.

Koller, T., Goedhart, M. & Wessels, D., 2015. *Valuation - Measuring and Managing the Value of Companies*. s.l.:John Wiley & Sons.

Larsson, R., 1990. *Coordination of Action in Mergers and Acquisitions - Interpretive and Systems Approaches towards Synergy*. s.l.:Lund University Press.

Larsson, R., 1993. *The Handshake between Invisible and Visible Hands: Toward a Tripolar Institutional Framework*. s.l.:International Studies of Management & Organization.

Larsson, R., Driver, M., Holmqvist, M. & Sweet, P., 2001. *Career Dis-integration and Re-integration in Mergers and Acquisitions: Managing Competence and Motivational Intangibles*. s.l.:European Management Journal.

Larsson, R. & Lubatkin, M., 2001. *Achieving acculturation in mergers and acquisitions: An international case survey*. s.l.:Human Relations.

Lewicki, R. J. & Bunker, B. B., 1996. *Developing and Maintaining Trust in Work Relationships*. s.l.:Sage.

Mayer, R. C., Davis, J. H. & Schoorman, D. F., 1995. *An Integrative Model of Organizational Trust*. s.l.:The Academy of Management Review.

M&A Worldwide, 2016. *Agri & Food & Beverage Industry Report*, s.l.: Aeternus.

Nahavandi, A. & Malekzadeh, A. R., 1988. *Acculturation in Mergers and Acquisitions*. s.l.:The Academy of Management Review.

Porter, M. E., 1979. *How Competitive Forces Shape Strategy*. s.l.:Harvard Business Review.

Porter, M. E., 1985. *Competitive Advantage - Creating and Sustaining Superior Performance*. s.l.:The Free Press.

Prahalad, C. K. & Hamel, G., 1990. *The Core Competence of the Corporation*. s.l.:Harvard Business Review.

Rousseau, D. M., Sitkin, S. & Burt, R. S. C. C. F., 1998. *Not So Different After All: A Cross-discipline View of Trust*. s.l.:The Academy of Management Review.

Saunders, M., Lewis, P. & Thornhill, A., 2016. *Research Methods for Business Students*. 7 ed. s.l.:Pearson.

Schein, E. H., 1996. *The Missing Concept in Organization Studies*. s.l.:Administrative Science Quarterly.

- Smith, A., 1776. *An Inquiry into the Nature and Causes of the Wealth of Nations*. s.l.:W. Strahan & T. Cadell, London.
- Stahl, G. K., Chue, C. H. & Pablo, A. L., 2012. *Does National Context Affect Target Firm Employees' Trust in Acquisitions?*. s.l.:Management International Review.
- Stahl, G. K., Larsson, R., Kremershof, I. & Sitkin, S. B., 2011. *Trust Dynamics in Acquisitions: A Case Survey*. s.l.:Human Resource Management.
- Steger, U. & Kummer, C., 2007. Why Merger and Acquisition (M&A) Waves Reoccur - The Vicious Circle from Pressure to Failure. *IMD*.
- Trapczyński, P., Zaks, O. & Polowczyk, J., 2018. *The Effect of Trust on Acquisition Success: The Case of Israeli Start-Up M&A*. s.l.:MDPI.
- Watkins, M. D., 2007. Why DaimlerChrysler Never Got into Gear. *Harvard Business Review*.
- Whitener, E. M., Brodt, S. E., Korsgaard, M. A. & Werner, J. M., 1998. *Managers as Initiators of Trust: An Exchange Relationship Framework for Understanding Managerial Trustworthy Behavior*. s.l.:The Academy of Management Review.
- William Blair, 2016. *Food for Thought*. s.l.:William Blair.
- Williamson, O. E., 1981. *The Economics of Organizations: The Transaction Cost Approach*. s.l.:The American Journal of Sociology.
- Williamson, O. E., 1991. *Strategizing, Economizing, and Economic Organization*. s.l.:Strategic Management Journal.

Figure 1: Stahl, G. K., Larsson, R., Kremershof, I. & Sitkin, S. B., 2011. *Trust Dynamics in Acquisitions: A Case Survey*. s.l.:Human Resource Management.

Appendix A

Appendix A contains the Interview Guide used as a general framework for the semi-structured interviews conducted.

PROCESS OF INTERVIEW	BRIEF OVERVIEW	IN-DEPTH QUESTIONS
BRIEFING	<ul style="list-style-type: none"> ▪ Thank you for attending ▪ Introduction of either side (researchers, interviewee) 	
PURPOSE	<ul style="list-style-type: none"> ▪ Understand drivers of M&A in the industry as well as trust in the M&A integration process 	
TOPICS OF INTERVIEW	<ul style="list-style-type: none"> ▪ Drivers of M&A in the value added ingredient industry ▪ Trust in the M&A integration process 	
DRIVERS OF M&A IN THE VALUE ADDED INGREDIENT INDUSTRY	<ul style="list-style-type: none"> ▪ Competitive environment ▪ Drivers of M&A and potential synergies 	<ul style="list-style-type: none"> ▪ <i>Can you provide insight into the competitive environment in the industry, including the power of customers and suppliers, the threat of new entrants and substitutes, and how you believe AAK is positioned?</i> ▪ <i>Could you point towards what makes AAK stand out in the marketplace?</i> ▪ <i>Could you talk about the role of M&A activity in the AAK strategy?</i> ▪ <i>What would you say are the underlying market drivers for acquiring California Oils exactly and using M&A as a strategic tool?</i> ▪ <i>What type of synergies did you expect the acquisition would bring?</i>

<p>TRUST IN THE M&A INTEGRATION PROCESS</p>	<ul style="list-style-type: none"> ▪ Defining trust ▪ Relationship between AAK and California Oils ▪ Cultural differences 	<ul style="list-style-type: none"> ▪ <i>How would you define overall trust and how important is it in the integration process?</i> ▪ <i>Did you encounter any turmoil after the acquisition of California Oils and did you find that it affected trust in the relationship?</i> ▪ <i>How will you describe the importance of the acquired firm's employees putting trust in to the AAK management?</i> ▪ <i>How do you view AAK's role in bridging that gap and building trust and what has been important to communicate and show California Oils employees?</i> ▪ <i>In taking on a cross-border acquisition, what differences did you encounter and how did you cope with it? What role did you see trust having in doing so?</i> ▪ <i>In terms of culture and differences between nationalities and organizational cultures, how have you seen the relationship between AAK and California Oils develop?</i>
<p>DE-BRIEFING</p>	<ul style="list-style-type: none"> ▪ We will provide a copy of the final interview ▪ Thank you very much for your time 	<ul style="list-style-type: none"> ▪ <i>Do you have any questions for us?</i>