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Evaluating the Impact of M&A Capabilities on Strategic Decision-Making for Internationalization

A case study of a Swedish SaaS platform firm

by

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Abstract

Much work has established M&A capabilities and its impact on M&A performance, likewise, a great deal of research has investigated internationalization. However, little theoretical attention has been brought to the implications of M&A capabilities on firms formulating internationalization strategies. This study examines how M&A capabilities impact decision-making processes in strategic planning for internationalization, by proposing a theoretical framework bridging cognitive problem perception and strategic decision making for internationalization. The study's key findings suggest that M&A capabilities significantly impact strategic planning for internationalization by influencing decision-makers' perceptions of risks and challenges. Lack of intercultural skills heightens perceived risks, which are mitigated by leveraging network capabilities and targeting similar, nearby markets. M&A capabilities shape how challenges are viewed, reinforcing familiar strategies and potentially limiting new approaches. A dedicated M&A function supports both gradual and opportunistic international growth, enabling firms to balance organic expansion with strategic acquisitions. This dual approach enhances flexibility and responsiveness in foreign market entry, while minimizing risks.

Keywords: Cognitive problem perception, Dynamic capabilities, Internationalization, M&A capabilities, Strategic decision-making

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1. Introduction

Despite the diverging findings on the economic outcomes, mergers and acquisitions (M&A) have remained a popular tool to enable external growth (Trichterborn et al. 2016). The globalization of business and increasing technological advancements has fundamentally altered competitive pressures. Balancing the dynamic tension between multiple forces (geographic, market, technological, product) has resulted in firms expanding their presences across numerous markets for a wide range of purposes and in a multitude of forms (Luo, 2000). Hence, international expansion has become a key strategic response to the dynamics of the global economy for a vast array of companies (Luo, 2000). Meanwhile, many corporate executives recognize that growth through acquisitions builds competitive advantage more quickly than organic expansion does, by creating synergies and operational efficiencies through combining the forces of the acquiring and acquired firms (Săcui & Maticiuc, 2020). To manage these processes firms utilize unique resources and capabilities (Barney, 1991), which Teece et al. (1997) builds upon with their notion of dynamic capabilities (DC), focusing on the firm's ability to sense, seize, and reconfigure resources to exploit new opportunities. There are numerous studies depicting the M&A process (Haspeslagh & Jemison, 1991), pre-acquisition (Angwing et al. 2015; Graebner & Eisenhardt, 2004; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986) and post-merger-integration (PMI) (Cording et al. 2008; Eisenhardt & Martin, 2000; Graebner et al. 2017). This body of work has mainly focused on capabilities' impact on M&A performance.

However, as firms seek international opportunities, M&As have been increasingly applied in internationalization efforts (Schoenberg, 2006; Cioli et al. 2020). These come with unique challenges related to cultural and market dynamics (Hofstede, 1984; House et al. 2002). Traditionally, internationalization has been depicted in a somewhat binary form as either gradual, with increasing commitment over time (Johanson & Vhalne, 1977) or almost instantaneous (Knight & Cavusgil, 2004). To our best knowledge, no coherent effort to provide a theoretical explanation of the effects of M&A capabilities in planning for internationalization has been brought forward. However, two sequential mediating factors have been identified, namely; cognitive problem perception (Tripsas & Gavetti, 2000; Simon, 1955) and strategic decision-making (Eisenhardt, 1989; Fama 1980; Jensen & Meckling, 1976). All internationalization efforts are rooted in strategic decision-making, which are processes framed by a firm's governance structures and internal incentives alignment (Jensen & Meckling, 1976). In performing any decision making, the individual is influenced by their own cognitive perception of the problem space, as these provide biases and reduce the problem space into feasible action plans (Simon, 1955). Tripsas & Gavetti (2000) point to the effect of previous experiences on these models.

So, if earlier experiences shape cognitive problem perception, which ultimately affects strategic decision making, M&A capability employment experience could theoretically impact planning for internationalization. Considering these implications, our study seeks to contribute with insights on how capabilities developed through M&A experience impact the formulation of internationalization strategies. Thus, it provides practical implications for decision-makers of firms in a strategic planning process for internationalization, by developing findings on how decision-making processes are affected by M&A capabilities through the establishment of cognitive problem representations. This study extends dynamic capabilities theory by demonstrating the impact of M&A capabilities on strategic cognition and, by extension, decision-making for internationalization. Moreover, by integrating M&A capabilities, cognitive problem perception and strategic decision-making tailored to the context of internationalization, this study binds a shattered but well researched field, by suggesting how this sequential relationship functions. Ultimately, this leads us to the research question:

How do M&A capabilities impact decision-making processes in strategic planning for internationalization?

We aim to explore this question through an analysis of the case object of this study, Company X, by conducting semi-structured interviews with the CEO of Company X, the M&A team at Company X, and the CEO of Company Y, a fully owned subsidiary of Company X. Company X is a Swedish Software as a service (SaaS) company, specializing in cloud-based financial and accounting solutions primarily for small and medium-sized businesses (SMEs). The company currently employs roughly 800 people, with a yearly turnover of 1.6 BSEK (Company X, 2024).

Since its founding in 2001, Company X has acquired and integrated several businesses, which has mainly consisted of "bolt-on transactions" where the firm seeks to add products to its platform and leverage its large customer base. Apart from the board of directors, which are the only ones with executive power to perform an acquisition, the company houses a dedicated M&A team, led by the Chief of Corporate Development Officer (CCDO). With the Swedish market becoming saturated, the company currently seeks opportunities for international expansion. Understanding how this team, in collaboration with executives, works to enable foreign market expansion will be the focal point of this study. Given that Company X currently only operates in the Swedish market and has a dedicated M&A team, it serves as a suitable case for exploring how M&A capabilities impact decision-making processes in strategic planning for internationalization.

2. Theoretical Background

2.1 M&A Capabilities

The conceptualization of M&A capabilities rests on Barney's (1991) Resource Based View (RBV), which was complemented by Teece et al. (1997) notion of dynamic capabilities (DC). Teece et al. (1997) derives the source of a capability from asset specificity, causal ambiguity and path dependencies. The distinction between the concepts is crucial to understanding their impact; whilst regular capabilities are established mostly codified routines enabling day-to-day operations, dynamic capabilities are concerned with the firm's capacity to sense changes in the business environment, seize new opportunities and reconfigure its resources and capabilities to exploit those opportunities effectively (Eisenhardt & Martin, 2000; Teece et al. 1997). In line with this distinction, Trichterborn et al. (2016) suggest that the M&A capability consists of the M&A process and learning processes, wherein the M&A process is the operationalized codified routines associated with M&A activities, whilst the learning process is the integration of new knowledge and understanding of the overall impact on business. Haspeslagh and Jemison's (1991) model captures the codified aspect through a decision-making process of an acquisition. The model consists of seven phases in a linear sequence. Phases one and two (Strategic objectives & searching and screening) allow for the identification of likely targets. Phases three and four (Strategic evaluation, financial evaluation) provides deeper strategic and financial evaluation, in which the authors emphasize the feedback relationship between the two phases. According to the model, phases one to four are viewed to bring sufficient information to proceed with the acquisition, which leads the company to phase five and six (Negotiation and agreement), usually the phase in which an offer is proposed. The last phase, post-merger integration (PMI), encompasses the integration of the entities into one, and has a less strict time horizon of evaluation due to the varying nature of organizations (Haspeslagh & Jemison, 1991).

The other key aspect, as pointed out by Trichterborn et al. (2016), is the learning process through which firms integrate previous experiences. If firms through earlier experiences are able to improve their M&A capabilities, then many of the M&A sub-processes are assumed to be similar across deals (Barkema & Schijven, 2008; Haspeslagh & Jemison, 1991). Empirical findings within pre-acquisition- (Angwin, 2001; Barkema & Schijven, 2008; Chatterjee, 2009; Haspeslagh & Jemison 1991; Jemison & Sitkin, 1986; Very & Schweiger, 2001) and post-acquisition capabilities (Barkema & Schijven, 2008; Castellaneta & Zollo, 2015; Ellis et al. 2011; Hayward, 2002; Laamanen & Keil, 2008; Pennings et al. 1994; Reus et al. 2016; Zollo & Singh, 2004) does in varying degrees support this notion as the primary way of firms to develop M&A capabilities.

2.1.1 Pre-Acquisition Capabilities

A number of core capabilities has been identified for the success of the pre-acquisition period of an M&A event. Identification of targets (Haspeslagh & Jemison, 1991; Trichterborn et al. 2016), usage of internal and external networks (Chatterjee, 2009, Graebner & Eisenhardt, 2004), M&A operational expertise (Angwin, 2001; Haspeslagh & Jemison 1991; Jemison & Sitkin, 1986; Keil et al. 2012; Very & Schweiger, 2001), and lastly efficient decision-making (Angwin et al. 2015; Haspeslagh & Jemison, 1991). Trichterborn et al. (2016), emphasize the need for building an acquisition function to support the identification of targets, and to isolate the process, thus facilitating capability development and knowledge retainment. Chatterjee (2009) and Graebner and Eisenhardt (2004) identify the capability of a company to maintain and leverage relational networks as key to M&A success. These are twofold; being able to integrate the acquired firm's informal networks (often through retainment of personnel), but also leveraging external resources present in one's own networks. Both were equally important capabilities in superior M&A activity performance (Chatterjee, 2009; Graebner & Eisenhardt, 2004). Several authors discuss the implications of previous M&A operational expertise, in relation to organizational routines, and highlight the frequence of which pre-merger activities must be undertaken to develop expertise within the field (Angwin, 2001; Haspeslagh & Jemison 1991; Jemison & Sitkin, 1986; Very & Schweiger, 2001). Keil et al. (2012) and Trichterborn et al. (2016) add the supportive nature of codified knowledge, but stress the limited impact unless combined with current expertise. Both acknowledge the feedback relationship between codified knowledge and expertise development, however, they also stress the inability of codified knowledge to replace expertise, due to the inability to codify some knowledge. Very & Schweiger (2001) agree with the premise, and argue for a dual state learning process where companies establish a target learning process for the specific context of a particular M&A event, and then establish a broader scope for the cumulative experience of all past acquisitions. Moreover, Angwin et al. (2015) observe the role of decision making processes throughout the acquisition process, by building on Haspeslagh & Jemison's (1991) process model. Angwin et al. (2015) focused on intermediary or between target processes coined "authorization processes" (Angwin et al. 2015, p. 1369), which would provide a plausible way to integrate strategic and operational governance structures into the pre-acquisition evaluation process. However, the authors stress the incomplete understanding and limited studies on the topic, as little research has been conducted. The findings do suggest that firms with good governance capabilities would have an advantage in the decision-making process, by enabling routines that reduce redundancies and limit sunken costs by eliminating non strategically aligned targets from a potential acquisition list.

2.1.2 Post-Acquisition Capabilities

The post-acquisition phase, or integration phase, has been subject to a lot of research, covering; Strategic fit (Cording et al. 2008; Eisenhardt & Martin, 2000; Graebner et al. 2017; Larsson & Finkelstein, 1999; Paruchuri & Eisenman, 2012; Ranft & Lord, 2000; Sarala & Vaara, 2010) and experience & learning perspectives (Barkema & Schijven, 2008; Castellaneta & Zollo, 2015;

Ellis et al. 2011; Hayward, 2002; Laamanen & Keil, 2008; Pennings et al. 1994; Reus et al. 2016; Zollo & Singh, 2004). Greabner et al. (2017) conclude the need for firms to understand their current strategic position to facilitate alignment and standardization through integration. Integration also allows for a more optimal reconfigure of assets, capabilities and knowledge that would otherwise be hindered due to organizational inertia (Graebner et al. 2017). Eisenhardt and Martin (2000) argue that organizations need to constantly and rapidly reinvent themselves by re-configuring their assets, capabilities and knowledge to maintain a competitive advantage. M&A activities can combat organizational inertia, which hinder the development of capabilities, through disruption. Larsson and Finkelstein (1999) take this reasoning one step further, suggesting that interaction and communication alignment and standardization are core to realization of acquisition or merger synergies, in the integration phase. Moreover, Cording et al. (2008), and Sarala and Vaara (2010) emphasize the importance of knowledge transfer between the "old" boundaries, seeing increased performance in cases of greater cross-border communication post-integration. The authors add that standardization of functions and communication can promote knowledge transfers. On the other hand, Ranft and Lord (2000 & 2002) highlight the difficulties in achieving post-merger integration for knowledge-based firms due to the often unclear and fragile social systems enabling capabilities. In essence, the authors raise a warning to caution against structural changes, as these can have adverse effects on a company's capabilities. Paruchuri and Eisenman (2012), voice similar concerns, as post-merger integration can "cause anxiety and impede inventors' ability to process research knowledge" (Paruchuri & Eisenman, 2012, p. 1). In summary, all of these sources have made some reference to the strategic fit in relationship to the post-merger integration, indicating the importance to align organizational intent.

Another important capability is the ability to integrate and transfer knowledge, partly from the event itself, but also bring structures around both entities, which facilitate knowledge sharing and cooperation, to build knowledge synergies for the "new" organizational structure (Junni et al. 2012: Sarala & Vaara, 2010). The literature has mainly focused on the direct ability of a firm to improve their acquisition making, and improve their processes through direct experience, i.e learning-by-doing. Nonetheless, evidence regarding the correlation between acquisition experience and performance, and therefore the capability of firms to apply old experience in new contexts is inconclusive. Castellaneta and Zollo (2015), Hayward (2002), Laamanen and Keil (2008), Pennings et al. (1994), Reus et al. (2016) and Zollo and Singh (2004) provide empirical evidence for the improved economic performance and firm integration, as a consequence of previous post-acquisition integration experience. These findings indicate that a firm can successfully employ knowledge acquisition processes and structures into a complex field, such as M&A integration. On the other hand, Barkema and Schijven (2008) are inconclusive in their findings and point to the varying contexts of firm mergers as a hindering factor for companies to learn from old experiences. Ellis et al. (2011) assert firms' ability to integrate previous merger or acquisition knowledge, through processes and structures, however, they found that experience could in some instances decrease firm performance.

2.1.3 International Context

When considering international expansion, prior research indicates that acquisitions are typically perceived as less risky relative to greenfield investment (Andersson & Svensson, 1994; Caves, 1996). The perceived level of risk, combined with the often quick time to market, provide incentives for managers to consider acquisitions as a mode of entry. The utilization of these transactions provide unique challenges as countries differ in economic, institutional (regulatory) and cultural structures (Hofstede, 1984; House et al. 2002). Shimizu et al. (2004) argue that successful post-acquisition integration in cross-border M&As is likely to be more difficult to achieve than in pure domestic acquisitions, based on the problems of integrating cultures. The cultural and institutional contexts in which firms operate significantly impact how top managers develop and apply strategic orientations (Child et al. 2003; Hitt et al. 1997). Additionally, managers from different countries employ different managerial practices and implement different control systems in acquired firms (Calori et al. 1994; Lubatkin et al. 1998). In this regard, Shimizu et al. (2004) maintain that conflict between managers and employees of the acquiring and acquired firms is likely to increase when the institutional distance between the two countries are high. These include the different institutional environments between the two countries of the acquiring and acquired firm, and their two different cultures (national and corporate levels). Hence, Angwin (2001) states that challenges in the due diligence process relate to differences in the institutional environment (different regulations, accounting standards, value systems, etc.), in the national cultures (different individual values, risk proclivity, uncertainty acceptance etc.), and in corporate cultures (different organizational routines, communication systems, and managerial practices). In light of these challenges, Hopkins et al. (1999) highlights the potential for additional information asymmetry in a cross-border M&A context. It also raises the question on how firms can leverage their previous domestic experience to facilitate international transactions. Collins et al. (2009) present evidence supporting that domestic M&A experience creates momentum for international acquisitions. Moreover, they found that "recent domestic M&A activity increases the likelihood a firm will undertake an additional international acquisition." (Collins et al. 2009, p.1330). Part of the explanation rests on firms' ability to employ organizational learning capabilities and learn from past experiences. However, the utilization of M&A can also have adverse effects causing "self-reinforcing bias associated with search routines enacted in the "neighborhood" of familiar experiences creat[ing] path dependency or momentum" (Collins et at. 2009, p.1333). This indicates that learning experiences also can provide pitfalls in deal seeking. These results were replicated by Nadolska & Barkema (2007) on another data set, concluding that domestic M&A experience can be leveraged in international acquisitions, but are prone to biases gained through previous experiences. This points towards a duality in the learning process, where learning capabilities have to be paired with situational awareness to not invoke learnt responses.

In attempts to grow in the international marketplace, building and nurturing social and business networks is an essential dynamic capability to support internationalization efforts (Eberhard & Craig, 2013; Pinho & Prange, 2016; Vasilchenko & Morrish, 2011). Gilmore et al. (2006) and Madsen and Servais (1997) argue that this is particularly relevant for small and medium-sized firms (SMEs), due to a lack of resources and internationalization knowledge required for cross-border commitments. Effective networking is a crucial capability as it generates value by building and accessing an array of resources, including new knowledge (Hoang & Antoncic, 2003). Network connections have a significant impact on the internationalization of firms (Blyler & Coff, 2003; Ciravegna et al. 2014; Ellis & Pecotich, 2001; Ellis, 2011; Fernhaber & Li, 2013), on account of providing paths to entry into international markets and helping firms assess prospective partners (Larson, 1992).

2.1.4 Implications for Cognitive Problem Perception

To this point underlying structures and sub-capabilities which firms employ to manage M&As have been mapped, which in themselves are routines and processes to facilitate work. So, how can the relationship between routines and strategic decision-making of managers be drawn? Simon (1955) concluded that managers are subject to bounded rationality, due to cognitive limitations:

"Organism's simplifications of the real world for purposes of choice introduce discrepancies between the simplified model and the reality; and these discrepancies, in turn, serve to explain many of the phenomena of organizational behavior" (Simon, 1955, p.114).

If capabilities are inherently developed through operational experiences of that particular activity, i.e experience learning, then that experience should reasonably also shape the cognitive problem perception of the people involved. A lot of research supports the connection between experience and mental model configuration (Downs, 1976; Jones et al. 2011). So, if a team or an organization frequently employs certain routines, it will inevitably affect their perception of future tasks and their solution even in unexplored domains (Dray et al. 2006; Klayman & Ha, 1989; Nersessian, 2002). Studies have investigated the impact of a company's current capabilities on its capacity for innovation and adaptation (Arrow, 1974; Nelson and Winter, 1982; Teece et al. 1997). Given that learning processes are frequently predicated on local and incremental searches, a firm's past background greatly influences the course of its future actions (Levitt and March, 1988; March and Simon, 1958; Teece, 1998). Businesses commonly run into competency traps, where their core strengths become rigidities that stifle innovation, when they have to participate in distance learning and create radically new competencies (Leonard-Barton, 1992). Furthermore, a company's non-technological assets have a big impact on how far it can advance technologically (Dosi, 1982). Businesses are more likely to develop in ways that capitalize on the complementary assets they already have, which are essential for bringing new technologies to market (Helfat, 1997; Teece, 1986). For instance, a company is more likely to develop technologies that serve its current customer base than to enter markets with completely untapped customer demographics due to its well-established marketing capabilities and in-depth knowledge of such customer bases (Christensen et al. 1996). The interaction between a company's innovation goals and its established skills emphasizes how difficult it is to strike a balance between taking advantage of current opportunities and utilizing existing expertise.

2.2 Cognitive Problem Perception

Strategic cognition describes the mental processes that go into strategic management, encompassing strategy formulation and implementation of organizational objectives and strategies to achieve competitive advantage (Hodgkinson & Healey, 2011). It emphasizes how individuals perceive, interpret and analyze information related to the firm's internal resources and capabilities, and how strategic decisions are made based on this information (Hodgkinson & Healey, 2011; Tripsas & Gavetti, 2000). The concept of cognitive simplification is a convenient starting point in the discussion of cognitive decision-making processes (Schwenk, 1988). In his discussion on bounded rationality, Simon (1957; 1976) established the foundation for the treatment of cognitive simplification by arguing that decision-makers must construct simplified mental models when addressing complex problems, in order to process information. Thus, bounded rationality concerns the ability of decision-makers to only approximate rationality in their attempts to resolve such problems, due to cognitive limitations of both knowledge and computational capacity (Simon, 1976). The imperfect representations of the world that decision-makers rely on serve as the basis for the formation of the mental models that inform managerial decisions, and so influence how decision makers frame problems and search for solutions to those problems (Tripsas & Gavetti, 2000). In particular, a firm's strategy decision is often a by-product of decision-makers' representation of their problem space (Gavetti & Levinthal, 2000). Cognition is a forward-looking type of intelligence that is based on an actor's perception of the relationship between the choice of actions and the following impact of those actions on end results (Gavetti & Levinthal, 2000).

2.2.1 Cognition and Organizational Inertia

Typically, cognitive representations are not based on current knowledge of the environment, but rather on past experience (Kiesler & Sproull, 1982). As stated by Prahalad & Bettis (1986), when senior managers collaborate over time, they often develop a set of beliefs, or dominant logic, for the firm based on their common background. Given the impact of the historical environment on shaping beliefs, top managers often struggle to adjust their mental models in rapidly changing environments, resulting in inferior organizational performance (Barr et al. 1992; Brown & Eisenhardt, 1998). In light of this, some scholars have addressed the role of cognition in illustrating organizational inertia (Garud & Rappa, 1994; Hodgkinson, 1997). Hodgkinson (1997) found that actors can become unduly reliant on their mental models of competitive space, to the point where they overlook material changes in their business environment, until those changes become so pervasive, or important in other ways, that they seriously impair the firm's ability to successfully adapt. In relation to this, an important ingredient of strategic decision-making and planning are cognitive biases, i.e. instances where human cognition produces representations that are systematically skewed in relation to some aspect of objective reality (Das & Teng, 1999; Schwenk, 1988; von Krogh & Roos, 1996). These biases influence risk perception, opportunity evaluation, overconfidence and illusion of control in sensing, seizing and reconfiguring strategic commitments (Keh et al. 2002; Simon et al. 2000). Nonetheless, Chermack (2003) argues that mental models change due to action and learning, which results in a new perspective of seeing the world, thinking about the world, and behaving in the world. In dynamic and constantly changing environments, mental models are continually modified, improved, and recreated. The author states that mental models impact experience (active) and are impacted by experience (passive). Hence, altering mental models is dependent on learning and functions as a feedback loop between action and experience.

2.2.3 Implications for Strategic Decision-Making

Research investigating the role of managerial cognition has shown that strategic decisions are significantly influenced by managerial mental models (Gavetti, 2005; Kaplan & Tripsas, 2008; Walsh, 1995), and there is strong evidence that managers' attempts to align strategic choices to their understanding of the business environment are influenced by mental models (Barr et al. 1992; Porac et al. 1995; Tripsas & Gavetti, 2000). As described by Tripsas and Gavetti (2000), decision-makers form mental models that guide managerial decisions based on their imperfect perceptions of the environment. These models therefore affect how decision-makers formulate problems and look for answers. In their case study of the Polaroid Corporation, Tripsas and Gavetti (2000) illustrate the significance of cognitive representations in guiding search processes in new learning environments, highlighting the interconnectedness between these processes and the way decision-makers model the new problem space and advance strategic planning and decision-making based on their view of the world. Building upon the understanding that cognition substantially impacts strategic decisions, it becomes imperative to delve deeper into the decision-making processes through which these models manifest.

2.3 Strategic Decision-Making For Internationalization

Jensen & Meckling (1976), with their utilization of agency cost frameworks in governance structures, provided a unifying framework to understand corporate decision making. They argue that a joint-stock corporation can be described as a set of interdependent contracts, establishing authority, purpose, and responsibility. Such contracts should be designed in a manner that aligns incentives of decision makers, with those of the owners, in what is described as the agency problem (Fama, 1980; Jensen & Meckling, 1976). These agency formulations are not just present in ownership - board relations, but the same structure exists throughout the organization between any party with decision making power. These contractual arrangements directly form the framework from which decisions are taken, wherein the relationship between the owners and board of directors is the primary (Eisenhardt, 1989; Fama, 1980). Eisenhardt (1989) argues that principals are better served using outcome based contracts. She underscores the mediating factor of the programmability of the task at hand. In the context of M&A, with large complex dynamic tasks difficult to preprogram, the principal (the board vis a vis the M&A team, and the ownership vis a vis the board) would probably improve performance if outcome based contracts were employed. This also extends to individual incentives among lower level decision makers. These findings are replicated by Roth and O'Donnell (1996) as they evaluated subsidiary effectiveness and incentives alignment through pay. They argue that structuring pay incentives to more outcome based modes, decision making can be improved, to increase overall performance of managers. Thus, incentives and internal organizational structures provide the foundation for the decision making process, wherein the decisions themselves are influenced by individuals' cognitive problem perception.

Mintzberg et al. (1976) articulated a definition of strategic decision as one which is “important, in terms of the actions taken, the resources committed, or the precedents set” (Mintzberg et al. 1976, p.246). According to Eisenhardt & Zbaracki (1992), empirical evidence confirms the presence of cognitive constraints within the rational model. Moreover, they provide evidence to support that managers typically do not participate in a thorough search and instead find their aims while looking, in which decisions go through the fundamental stages of problem identification, development, and selection. However, these decisions often cycle through these stages repeatedly, delving deeper each time, and pursuing diverse paths in an irregular manner (Eisenhardt & Zbaracki, 1992). Newell & Simon (1972) model decision making as a breaking down of complex problems into manageable sub-decisions using generalized procedures. They suggest that this process involves adapting shortcuts to simplify complex environments into conceptual models. So, despite decision processes not being explicitly programmed, systematic analysis of behavior indicates an underlying logic governing decision making (Miles et al. 1978). In conclusion, governance structures shape decision making through interdependent contracts, guiding problem perception and processes. Given the complex environment decision makers operate in, combined with bounded rationality, they adapt shortcuts to simplify complex problems.

2.3.1 Implications for Internationalization

Depending on the nature of a firm's business model, one could argue that internationalization happens on an ad-hoc basis, without any greater strategic decision-making involved. While this may be true for some types of product, most services require local market adaptation. Rather, internationalization is a very resource intensive process, demanding much of strategic resources not suited for ad-hoc decision making (Dimitratos et al. 2011; Herrmann & Datta, 2002). Strategic decisions have a significant impact on several facets of international expansion, encompassing resource allocation (Chen & Hsu, 2010), market selection (Sakarya et al. 2007), foreign entry mode (Nielsen & Nielsen, 2011), and the establishment of competitive advantages in foreign markets (Tallman & Fladmoe-Lindquist, 2002). Therefore, the internationalization process will be dependent on the strategic priority it is given by decision makers, which in turn has to respond to a developing problem picture.

The Uppsala model and literature on born globals offer two significant strands of internationalization research. The Uppsala model (Johanson & Vahlne, 1977) describes an incremental internationalization process, emphasizing psychic distance and experiential market knowledge accumulation over time as focal elements in firm internationalization. The model is a dynamic model describing how firms internationalize by progressively acquiring, integrating, and applying knowledge of other markets. The model assumes that the firm incrementally increases its commitment to foreign markets, as knowledge is acquired gradually when expanding internationally. However, knowledge is constrained by psychic distances between countries, i.e. perceived differences between the home country and foreign markets in regards to cultural, linguistic, institutional and economic factors. These differences are argued to create uncertainty and perceived risks for firms seeking to expand internationally (Johanson & Vahlne, 1977). Hence, the model predicts that firms gradually increase their commitment to foreign markets, by first entering markets with low psychic distance (culturally and geographically close) and gradually expanding to more distant countries. By using this progressive approach, firms gain knowledge and experience, reducing uncertainty and minimizing risks related to international expansion (Johanson & Vahlne, 1977).

In contrast, literature on born globals emerged to account for firms that did not follow the predictions of the Uppsala model. In other words, it focuses on firms that internationalize early, enter foreign markets abruptly rather than gradually, and for which psychic distance does not appear to be as important a factor as it is in the Uppsala model (Knight & Cavusgil, 2004). Knight and Cavusgil (2004) coined the concept of born globals, defining them as business organizations that from or near their founding seek superior performance from their intangible knowledge-based internal capabilities to increase outputs and prosper in multiple countries. In contrast to the predictions of the Uppsala model, born globals internationalize quickly, usually within their first few years of operation, by leveraging technology, networks, and market opportunities (Knight & Cavusgil, 2004). Born globals are characterized by their international entrepreneurial orientation, comprising unique entrepreneurial competences and perspectives, and international marketing orientation, a mindset that emphasizes value creation through marketing for overseas customers (Knight & Cavusgil, 2004). Additionally, such firms exhibit a strongly innovative culture that fosters the development of organizational capabilities through the integration of individuals' specialized knowledge, driving early internationalization and superior performance in international markets (Knight & Cavusgil, 2004). The innovation-oriented nature and the associated organizational capabilities of born globals leads to high quality products that are unique, advanced and linked to global success by possessing attributes that facilitate rapid expansion into diverse geographical locations (Knight & Cavusgil, 2004). Moreover, partnerships with foreign distributors enable born globals to achieve superior performance, by providing local knowledge, developing new customer segments, establishing connections with foreign contacts, and gathering market intelligence (Knight & Cavusgil, 2004).

2.5 Theoretical Framework

While a comprehensive framework directly illustrating how M&A capabilities impact decision-making processes in strategic planning for internationalization is lacking in the international business literature, a discernible sequential relationship is apparent: M&A capabilities influence the cognitive problem perceptions of decision-makers, which in turn shape their strategic decision-making processes, ultimately impacting the firm's path of internationalization. Figure 1 presents a visual depiction of the theoretical framework showing these relationships. The following section focuses on each of these relationships' role in the framework.

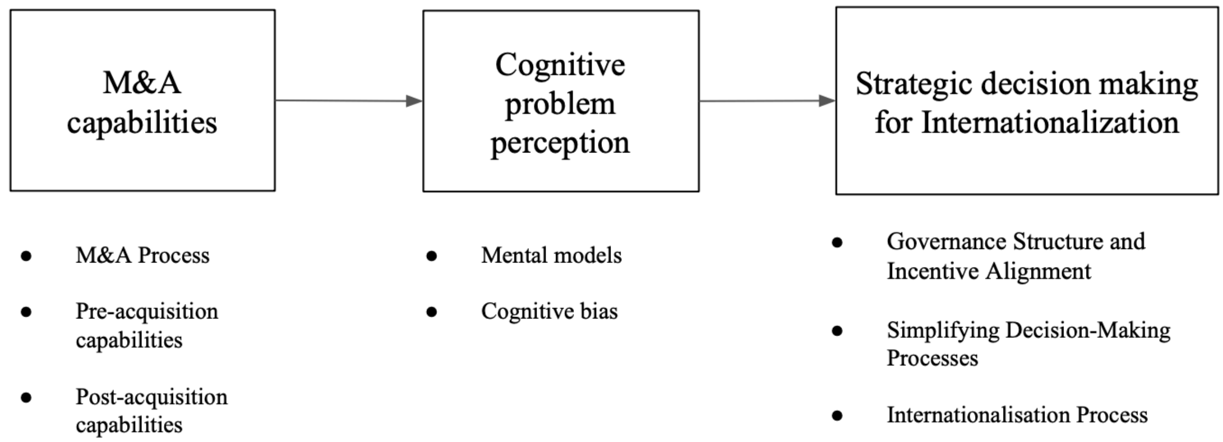

Figure 1: Theoretical Framework

First, M&A activities require firms to develop certain capabilities, i.e. routines and processes, to manage the intricacies involved in such operations. M&A capabilities are often honed and developed through operational experiences and organizational learning (Collins et al. 2009). Simon (1955) argues that managers' cognitive limitations cause them to operate under bounded rationality, leading to simplifications of the real world for decision-making purposes. If M&A capabilities are inherently enhanced through operational experiences, in other words through experience learning, then it stands to reason that experiences from engaging in M&A activities repeatedly would also influence the cognitive problem perception of the people involved in that activity. Research by Jones et al. (2011) support this connection between mental model configuration and experience. Hence, frequent employment of M&A routines and processes inevitably influences how decision-makers perceive future tasks and solutions (Dray et al. 2006; Klayman & Ha, 1989; Nersessian, 2002).

Second, research on the role of managerial cognition has demonstrated that managerial mental models, i.e. their cognitive problem perceptions, significantly influence strategic decisions (Gavetti, 2005; Kaplan & Tripsas, 2008; Walsh, 1995), as managers attempt to align strategic choices to their comprehension of the business environment (Barr et al. 1992; Porac et al. 1995; Tripsas & Gavetti, 2000). The mental models that decision-makers thus form impact how they develop strategic planning and decision-making, based on their view of the world (Tripsas & Gavetti, 2000).

Third, strategic decision-making plays a crucial role in the internationalization of the firm (Buckley, 1993; Herrmann & Datta, 2002; Petrou, Plakoyiannaki & Johnson, 2011) considering that internationalization is associated with substantial resource commitment, considerable risk, uncertainty, complexity, and is a major challenge firms face (Musteen, Datta & Herrmann, 2009). Strategic decisions affect various aspects of international expansion, including resource allocation (Chen & Hsu, 2010), market selection (Sakarya, Eckman & Hyllegard, 2007), foreign entry mode (Nielsen & Nielsen, 2011), and the development of competitive advantages in markets abroad (Tallman & Fladmoe-Lindquist, 2002). The Uppsala model (Johanson & Vahlne, 1977) and the born global model (Knight and Cavusgil, 2004) both exemplify the significance of strategic decision-making in shaping the internationalization trajectory of firms, by underscoring the strategic nature of market selection, entry mode choice, and the speed of entry into foreign markets.

3. Methodology

3.1 Research Design

This study employs a qualitative case study approach to examine how M&A capabilities impact the strategic decision-making in planning for internationalization. The case study method was chosen as it allows for a deep dive into the complex, real-world context of the company's M&A capabilities and activities, providing insights into the operational, strategic, and human factors that influence internationalization outcomes. In addition, the design allows for flexibility in data collection and analysis, accommodating the exploration of nuances that define Company X's M&A strategies. Furthermore, this study encompasses an inductive approach due to field exploration and allowance of new concepts (Bell et al. 2019). Firstly, the collection of data was made without intention to test predetermined, specific theory itself, rather the aim was to see what insights emerge from the data itself through interviews. Secondly, the primary emphasis was placed onto recognizing patterns that emerged from the data collection. Lastly, the study has been truly flexible by allowing focus shifts depending on findings, exemplified in the exploratory interviews which gave valuable insight into Company X's practices. In that sense, all of the factors mentioned regarding how the study was conducted, align with Bell et al.’s (2019) definition of an inductive case study.

3.2 Selection of Case

For the integrity of the study as well as the company that has been chosen for the case, the decision to anonymize the company’s name and the respondents has been made. The case study constitutes “Company X” and a subsidiary of Company X named “Company Y”.

Company X is a prominent Software as a service company based in Sweden, specializing in cloud-based financial and accounting solutions primarily for small and medium-sized enterprises (SMEs). Founded in 2001, the company has grown to become a key player in the Swedish market, offering a comprehensive suite of tools that enable businesses to manage their accounting, invoicing, payroll, and other administrative tasks efficiently online. The company's platform stands out due to its user-friendly interface and modular design, allowing users to customize their experience by adding or removing modules based on their specific business needs. This flexibility makes it particularly appealing for growing businesses that require scalable solutions. In addition, Company X integrates seamlessly with numerous other business applications, enhancing its utility by connecting users with a broader ecosystem of data sources. The company's innovation in cloud-based services has positioned it as a leader in digital transformation, helping businesses streamline operations, reduce costs, and improve overall efficiency. With a strong focus on customer support and continuous improvement, Company X aims to maintain its competitive edge and support the evolving needs of its customers.

Company X offers a perfect opportunity to examine the impact of M&A capabilities on cognitive decision-making in international expansion. This particular focus is highly perceptive due to the fact that Company X has not yet ventured into international markets, providing an opportunity for a comprehensive examination of how internal skills impact strategic choices regarding global expansion.

Examining Company X can provide insights into how M&A strategies can aid in entering new markets, utilizing existing client bases, and incorporating local market expertise. As the company considers its first moves towards expanding internationally, the study will offer vital insights into how cognitive processes, such as the perception, interpretation, and prediction of market dynamics, are affected by the organization's talents in mergers and acquisitions. Thus, Company X provides a distinctive chance to analyze the complex process of making decisions when moving from domestic achievements to prospective global expansion. This case study has the potential to enhance academic discourse and provide strategic insights for similar organizations contemplating international expansion, therefore making a contribution to both theoretical knowledge and practical application.

3.4 Data Collection

This study employed a snowball sampling to construct a satisfactory dataset. The initial step involved identifying prospects that met the study's specific criteria. After that, interviews were conducted with a small group of primary participants at Company X, who were directly known to us through mutual connections. In this case, that grouping of people was narrowed down to one person, the Chief of Corporate Development and M&A. Following these initial interviews, each participant was asked to recommend further potential respondents who they deemed fit to the study's requirements. Applying a snowball sampling method facilitated access to a broader network of participants and ensured that the sample was deeply embedded within the specific context of interest and could provide valuable insights to the study. The snowball sampling process was monitored continuously to ensure a diverse representation within the sample, addressing potential biases introduced by the referral-based recruitment, and striving for a broader set of individuals and functions to represent.

3.4.1 Interview Selection

The interviews were held online using the Google Meet application. Before the interviews were conducted, each participant became aware that the interviews would be recorded on the voice memo app on iPhone and transcribed with the aid of the AI tool Klang as well as the fact that those were going to be deleted upon receiving the final grade. To prevent any external parties from accessing the interviews, the transcriptions were managed privately on our own accounts and computers. All participants approved of the recordings and the transcription of the interviews as well as the inclusion of their positions within the company to be made public in this study. The following section contains a table listing the participants and their respective positions within Company X. Below the table, a more detailed description of each participant is presented.

Table 1: Interviewee Selection

Company	**Case**	**Position**
Company X	CEO Company X	Chief Executive Officer
Company X	M&A team member #1	Corporate Development & M&A
Company X	M&A team member #2	Corporate Development & M&A
Company X	CCDO	Chief of Corporate Development & M&A Officer
Company Y	CEO Company Y	Chief Executive Officer

In total, approximately 7.5 hours of interviews were conducted with the interviewee selection. Two out of those hours can be seen as exploratory interviews. The rest were semi-structured interviews with each case.

The CEO of Company X was chosen as one of the interview subjects due to various reasons. Firstly, he possesses a broad oversight of the activities at Company X while simultaneously having deeper perspectives on all of their operations. This includes the operations of the M&A team which has been a focus group for this case study. Secondly, it is the CEO of Company X or the board which he reports to, that ultimately makes the decision on acquisitions that the M&A team suggests. Lastly, it would lead to him being responsible for a potential international expansion. Since the study has a focus on M&A capabilities which stretch beyond the capabilities that the M&A team possesses, the CEO was vital to the study in order to highlight what capabilities Company X does and does not possess currently.

The second participant in this case study was M&A team member #1. As a part of the M&A team of Company X, his data contribution to this study was vital. M&A team member #1's extensive tenure and specialized roles within Company X's M&A team have provided him with unique insights into market and product strategies, making his interview critical to our case study. His deep institutional knowledge and firsthand experiences of strategic developments at Company X offered invaluable perspectives that enriched our understanding of the company's evolution and operational dynamics.

The third participant in this case study was M&A team member #2. His primary role focuses on the integration of acquisitions into Company X's brand, and his insights have been central to our case study. Given that integration capabilities are a major area of focus in this study, M&A team member #2's expertise and experiences provided invaluable insights into how Company X successfully assimilates new acquisitions, a key aspect of our research on how M&A capabilities impact decision-making processes for internationalization. His contribution was instrumental in understanding the practical challenges and strategies involved in the integration process at Company X.

The fourth participant in this case study was the Chief of Corporate Development & M&A, hereafter referred to as the CCDO. The CCDO's interview was highly relevant to our study, focusing on the capabilities of the M&A team and the decision-making processes concerning potential international expansion. As the CCDO at Company X, his extensive background in managing investments, acquisitions, and divestitures provided a wealth of knowledge about strategic growth and operational integration. His leadership role within the M&A team is pivotal, offering key insights into how Company X might navigate and execute a potential international expansion. The CCDO's strategic vision and practical experience in these areas are integral to understanding the depth of M&A team capabilities and the intricacies of their decision-making processes at Company X.

The last participant included the CEO of Company Y, which is part of another company that Company X acquired in 2021. This acquisition was led by the M&A team. The interview with the CEO of Company Y provided a unique and critical perspective for our study, particularly regarding the integration aspect of M&A capabilities within Company X. He offered firsthand insights into the integration process from the viewpoint of an acquired entity. His experiences during and after the acquisition process shed light on how effectively Company X's M&A strategies are implemented from an operational standpoint. Additionally, exploring how Company Y, under the CEO's leadership, might contribute to Company X's potential international expansion added another layer of relevance to his interview. Company Y's role and capabilities could be pivotal in scaling Company X's operations abroad, making the CEO's insights crucial for understanding the broader strategic implications of Company X's M&A activities. This aspect of the interview helped to assess how acquisitions like the one of Company Y are not only integrated within the Company X's brand but also how they align with and potentially accelerate the company's international growth objectives.

3.5 Data Analysis

Data from interviews was transcribed verbatim and subjected to open coding as part of the thematic analysis in this thesis. This process involved identification of initial codes directly from the data, which helped reveal patterns, themes, and insights related to M&A structures and their impact on internationalization. The data analysis encompassed an iterative process; the codes and themes were continuously refined as more data was collected and examined. This iterative approach allowed for the development of a comprehensive understanding of the data in order to ultimately address the research question, thus aligning with the methodology outlined by Bell et al. (2019).

Furthermore, for the analysis a pattern-matching analysis was conducted. Pattern-matching involves comparing patterns that emerge from the collected data against theoretically predicted patterns (Yin, 2009). Pattern matching was chosen for this thesis as it allows for a systematic examination of comparing prior theoretical knowledge and the theoretical framework that derived from it, with real-world data, in this case, the data generated from interviews with

Company X. This approach provided a structured way to navigate complex datasets and draw conclusions about the observed phenomena. In practice, outlining the theoretical predictions based on the literature review was the starting point. These predictions formed a framework of expected patterns which was then used as a basis for comparison against the patterns that emerged from the empirical data. By mapping each piece of data against these expected outcomes, it enabled identification of where alignments and discrepancies occurred. This process involved iterative rounds of analysis, where emerging patterns were continuously compared back to the theoretical framework, ensuring a comprehensive exploration of the data. The use of pattern matching in the analysis helped highlight the nuances and complexities of the data, providing deeper insights into the phenomena under study. Furthermore, it proved instrumental in validating some of the theoretical assumptions while challenging others, thereby contributing to a more nuanced understanding of the research topic.

3.6 Validity and Reliability

Golafshani (2003) points out that qualitative research terminology encompassing both reliability and validity are often utilized to evaluate the quality of the research. This type of terminology involves credibility, transferability, dependability and confirmability (Golafshani, 2003). In order to enhance research quality several measures were taken. First, triangulation to cross-verify data and ensure consistency in the findings was employed. This was achieved by integrating information from both primary sources, such as interviews, and secondary sources through existing research and databases. By comparing data from these varied sources, potential biases were mitigated and strengthened the credibility and confirmability of the results (Bell et al. 2019). Additionally, the credibility of the findings was enhanced through member checking. This process involved providing the interviewees with the opportunity to review and comment on the interpretations of their responses. This step not only increases the credibility of the research interpretations but also involves participants in the research process, increasing the trustworthiness and accuracy of the data (Bell et al. 2019). In addition, the interviewees in the thesis are deliberately selected from the criteria that they hold relevant positions within Company X, arguing a high degree of credibility due to their experience and knowledge in the field of M&A and internationalization. Moreover, as mentioned previously, measures have been taken to increase confirmability and hinder subjectivity to interfere with the research (Bell et al. 2019). The confirmability of the study was enhanced further by including the quotes in the analysis, wrongful and biased interpretations are mitigated as the quotes illustrate the actual intent of the findings. Lastly, the transferability of research findings relates to their applicability in different social contexts or within the same social context at a different period (Bell et al. 2019). The findings from this case study can be applicable to other similar situations or contexts to a limited extent. As this case study focuses on a particular setting with the intention to provide deep insights by conducting a comprehensive analysis of Company X, the ability to transfer the findings to other contexts without considering contextual differences is limited.

4. Case Description: Catching Clouds

In this section, the findings from the interviews are presented, offering perspectives for how M&A capabilities impact strategic decision-making for internationalization. The themes identified from the interviews with the M&A team, the CEO of Company X and the CEO of Company Y include market knowledge, integration, target model and strategic fit. To enhance understanding and inform the analysis, the insights derived from the themes are further interpreted.

4.1 Case Background

Company X is a listed software as a service platform company based in Sweden, specializing in cloud-based financial and accounting solutions primarily for small and medium-sized enterprises. The company was founded in 2001 and has since then absorbed a large market share of customers in Sweden. In recent years, the company has utilized their size and applied it to making multiple bolt-on-acquisitions to build on to their comprehensive set of accounting tools offering to their customers. Due to Company X large market share and a finite customer segment, the company has applied an opportunistic view on a potential acquisition in case of a saturated market in terms of the current product offering. The CEO of Company X cites “one of the most commonly asked questions by shareholders is when the company will strategize toward a cross-border expansion”. Moreover, since Company X is a listed company, the firm ultimately holds a responsibility towards the shareholder. The executive team have ruled out greenfield investments due to the time constraints, as they view positive cash-flows too far into the future would compromise the valuation. This especially becomes a concern due to the listing of the stock, which value they fear would become more volatile if a greenfield investment were chosen. Thus, effectively singling out cross border M&A as the only viable option.

According to the CCDO, the firm receives approximately 200 potential targets annually. Out of the firm's total product portfolio of roughly 50 products, about a dozen of them have been generated through the M&A team's activities. The firm completes around 2 acquisitions and 2 strategic partnerships each year. The largest revenue generating products of Company X's product portfolio are in accounting and invoicing. Consequently, the firm targets and acquires smaller companies that are in an early stage and add value to its core offerings. Company X's business model is to provide administrative assistance to business owners of small and medium-sized companies, helping them run their operations effortlessly and successfully. To achieve this, the company identifies areas where it can enhance its product platform through acquisitions of additional modules and products. Hence, acquisitions have mainly consisted of bolt-on transactions where the firm aims to expand its platform by incorporating new products to leverage its extensive customer base and experience sales synergies. By expanding its platform through acquisitions, Company X has transitioned from primarily serving smaller businesses to also catering to medium-sized businesses, by adding products that can service medium-sized businesses, they have opened up a segment that naturally operates in multiple markets, providing a pathway for cross-border expansion.

The first participant of the case study regards the CEO of Company X, who has held the position since quarter 1 of 2020. Prior to his appointment as CEO of the firm he was CEO of another large Swedish corporation and has also held several managerial roles within another Swedish conglomerate. The CEO's role as chairman of the board at Company Y is relevant to this study. As the CEO of Company X, bears the ultimate responsibility for overseeing all operations, as he is accountable to both the board and the shareholders. This primarily involves ensuring that Company X aligns with both short-term (one-year) and long-term (five-year) objectives, which are regularly revised in response to market conditions. The second participant, M&A team member #1 works in corporate development and the M&A team at Company X. Out of all the interviewees, M&A team member #1 has had the longest tenure at Company X and has held multiple positions at the firm. Currently, M&A team member #1 is specializing in market knowledge and product knowledge. The third participant is M&A team member #2, and works in corporate development and the M&A team at Company X. His first position within the firm was during his years as a student as a part-time employee. After his graduation and tenures at other companies he decided to return to Company X in 2020, first as a project leader, but then joined forces with M&A team member #1 and the head of corporate development and M&A. M&A team member #2's role is specializing in integration of acquisitions that is performed by Company X.

The M&A team, including team member #1 and #2 works under the fourth person in this case, the CCDO. The CCDO has many years of experience from leading roles within another Swedish conglomerate as responsible for that company's venture capital operations, responsible for civil multinational software operations, managed numerous investments, acquisitions and divestitures within and outside of Sweden. He joined the company in 2021 and formed the corporate development and M&A team. These three participants have been responsible for corporate development and M&A since 2020. The last participant includes the CEO of Company Y, which is part of another company that Company X acquired in 2021. The acquisition of Company Y was led by the M&A team. The CEO offers firsthand insights into the integration process from the viewpoint of an acquired entity, particularly regarding the integration aspect of M&A capabilities within Company X.

4.2 Market Knowledge

The respondents highlight cultural fit and the capability of corporate cultural integration as an important determinant for successful M&A activities. After conducting multiple acquisitions over the past few years, they have come to the realization that achieving a tightly integrated relationship requires a cultural and general consensus regarding business practices. This involves a mutual understanding of how to communicate and cooperate with colleagues, interact with customers, and run a business efficiently while maintaining ethically sound practices. Company

X acknowledges the significance of cultural alignment, and has put in great effort in understanding the firm's own inner nature, its culture and its responsibility to integrate acquisitions into the company. Awareness of the company's own cultural footprint enables it to identify similarities and differences in how other companies and potential acquisitions stand in cultural issues. In the case of Company Y, one major factor contributing to a successful integration was the shared vision between Company X and Y of supporting businesses to maximize their potential, and in turn contribute to societal development.

Despite achieving numerous successful acquisitions of Swedish companies, Company X has yet to acquire a firm abroad. In this context, the M&A team recognizes that it lacks sufficient understanding of national cultural differences, i.e. intercultural capabilities, an essential capability for successful cross-border M&A. These differences can significantly impact various aspects of the integration process. One major issue brought up during the interviews is communication barriers, noting that language differences and varying communication styles can be a hindrance to effective communication between teams from different cultures. The respondents argue that this can lead to misunderstandings, confusion, and inefficiencies in decision-making and execution. Furthermore, national cultural differences entail varying market dynamics in different countries, including variations in consumer behavior, business practices, the regulatory environment, and technology adoption. Because different markets have different attitudes toward innovation and levels of digital literacy, there can be considerable disparities in the adoption and usage of technology. The respondents state that this is especially important for Company X, considering that its product demands an advanced digital infrastructure. As stated by the CCDO, Company X is not used to having daily international contacts, and so the M&A team does not possess the capability of understanding cultural differences from a national perspective.

Their perceived lack of intercultural capabilities shapes the interviewees' problem description of internationalization. They describe it as a significantly higher risk profile compared to making transactions within a Swedish environment, perceiving the risk of national cultural differences to increase the time and costs associated with integrating operations, systems and processes across the merged entities. Consequently, the value of the M&A deal may erode if synergy targets and integration benefits are delayed. Furthermore, the respondents' problem perception of undertaking operations abroad involves fundamental organizational challenges and risks linked to cultural differences. While cultural disparities can pose a challenge in domestic mergers and acquisitions, the complexity is notably heightened in international contexts, where the risks of misalignment are perceived to be even greater due to the added dimension of national culture. Hence, the respondents view internationalization for Company X to be most likely through an acquisition of an established actor in the market that already possesses local market knowledge.

The way the respondents perceive, interpret, and analyze information related to the firm's capabilities has directly impacted its decision-making processes in strategic planning for internationalization. As Company X recognizes that it does not currently possess intercultural capabilities, the M&A team have taken measures to build and foster this competence. In this regard, they accentuate network capabilities combined with physical presence in unknown environments as valuable ingredients to build market knowledge. The M&A team meets with institutions like Goldman Sachs, Bank of America and Danske Bank to gain essential information about the local markets through these networks. Investment banks possess extensive connections and access to market intelligence, making them valuable resources for gaining a macro perspective of business environments in different markets through the banks' market research, risk assessments and competitive analyses. Thus, Company X uses them for competence development and to understand how local markets operate. However, the M&A team also emphasizes the importance of physical meetings with numerous potential targets and their representatives, to obtain an operational picture. As such, the M&A team have met 30 to 40 different companies in Finland, Norway and Denmark. Both measures are considered crucial for Company X to build the experience and knowledge necessary to understand how these markets function. In line with these efforts, the M&A team have taken intentional strategic decisions to foster intercultural capabilities, as illustrated by the CCDO:

> *"We brought in a partner, and that partner is actually Norwegian. I may add that my team chose deliberately. There was a Swedish partner that was very good too, but we thought that there was an advantage to being able to work with a Norwegian partner to gain insights into the Norwegian market."*

Apart from leveraging external networks, the CEO of Company Y highlights the significant advantages derived from the integration of knowledge within the organization's internal and informal networks. He emphasizes the firm's ability to share knowledge and contacts across different business units in order to identify future business opportunities and connections to prospective acquisitions. Alongside taking decisions to draw knowledge from external and internal networks, Company X have opted for scouting potential targets mainly in the Nordics. According to the respondents, two primary factors driving this decision are the geographic proximity and cultural similarity of these countries, which contribute to alleviate the associated risks. The fact that Company X's offering demands a great degree of digital infrastructure has also influenced their internationalization path, considering that the Nordics are in the forefront of digitalization. The CCDO summarizes it well: "*We could expect that a Norwegian firm would have similar needs as a Swedish firm, while a Polish firm would not. That reduces the operational risk".*

4.3 Integration

Regarding questions of post-merger integration processes, all interviews indicate the eagerness to integrate acquired companies under the Company X conglomerate, which the CCDO describes perfectly: *"We are unusual in that we align so much and allow everything to be tightly integrated. We usually say that we paint everything [Company X] coloured as fast as possible."* (in reference to Company X's well known coloured branding). Furthermore, all interviews emphasize that the keenness to integrate quickly is very much due to the importance of creating leveled synergies between Company X and its acquisitions which is well put by the CEO of Company X:

> *"After all, we are a company that wants to find synergies with the acquired companies. Because that's our strategy and we invest in being good at it too. Because it is a profession in itself. We set up structures that make it easy to be acquired by us. We are good at strategies for how to integrate."*

It is also highlighted by M&A team member #1: *"It might be a cliché, but it is actually the case that those who run the company, the individuals you meet, must have both a cultural and a general consensus regarding business."* Another important focal point in the interview regarding integration, is the importance of corporate culture alignment. The CEO of Company X emphasized that the alignment of corporate culture and customer outlook is fundamental to the success of any acquisition, as these elements are crucial for seamless integration. He noted that without such synergies, not only would integration be challenging, but the prospect of pursuing an acquisition in the first place would be untenable. In this regard, the respondents stated that the acquiring firm can only use monetary incentives to align interests for a short period of time. In the long run, alignment necessitates establishing a shared value base in terms of culture, vision for the merged entities, and customer outlook. This insight is particularly relevant in the context of domestic acquisitions, where even shared national cultural frameworks can present integration challenges if corporate cultures and visions do not align.

The importance of this integration capability becomes even more critical when considering international acquisitions, which are often complicated by additional layers of complexity due to differing national cultures, business practices, and customer expectations. In such scenarios, the ability to align and merge different corporate cultures and customer-focused strategies is not merely beneficial but essential for the success of the expansion effort. Effective integration in international settings involves not only merging operations but also harmonizing the core values and behaviors that drive business success in disparate cultural contexts. Company X has prioritized the development of robust integration strategies that address these cultural and operational nuances. The case shows that intercultural alignment capabilities might be an area where Company X lacks experience. In the interviews, the CCDO emphasized national cultural differences and the risks associated with an international expansion in regards to culture:

> *"*[...] *understanding cultural differences from a national perspective, we do not possess that quality within the M&A team.* [...] *And [Company X] as an organization is also not used to having daily international contacts. So I would say that is one of the biggest risks in regards to a potential international expansion."*

Hence, the interviews highlight a notable gap in Company X's capabilities regarding handling cultural differences in international settings, which could pose a considerable challenge to their expansion goals. The CCDO's admission that the M&A team lacks substantial experience with international cultural nuances, coupled with Company X's limited routine engagement in global markets, points to a significant vulnerability. This gap is particularly critical because cultural competence is essential for successful international operations and integration of acquisitions across different geographic boundaries. The risk associated with this gap is twofold. Firstly, without a deep understanding and effective management of cultural differences, Company X may encounter barriers in building effective relationships with potential and existing partners and clients in new markets. Misunderstandings and conflicts arising from cultural discrepancies can hinder negotiations, collaboration, and even day-to-day operations, potentially leading to costly missteps and damage to brand reputation. The lack of cultural fluency within the M&A team can impede the seamless integration of acquired companies, especially those based in culturally distinct regions. The ability to align different corporate cultures is pivotal in realizing the synergistic benefits of any merger or acquisition. Without this capability, the effectiveness of post-acquisition integration processes is compromised, which could lead to underperformance of new international divisions or subsidiaries, affecting overall company performance. To address these risks, it is imperative for Company X to invest further in developing cultural competence across its organization, particularly within the M&A team. This could involve structured cultural training, hiring of experts with relevant experience, or forming strategic alliances with local firms in target markets to facilitate smoother entry and operations. Moreover, Company X could benefit from implementing a more culturally diverse approach in its strategic planning and decision-making processes to enhance its adaptability and effectiveness in global markets. This risk is compounded by the fact that English is not the first language for the Swedish team, which could lead to misunderstandings and loss of information in communications.

The M&A team, coupled with the CEO has been very clear on their intent to achieve synergies through integration. In comparison with a competing firm, in the same market, which has had more of a hands off approach towards acquisitions, Company X have clearly expressed an intent to incorporate acquisitions. As a consequence, they have not committed to any public biddings, as they need time to plan for integration and synergies. On the question whether they would consider adapting more of a stand alone approach all of the interviewees opposed such a proceeding. So, by adapting an integration strategy, they have rejected all targets that are not suitable for thorough integration.

The empirical data show that Company X must carefully consider whether its current integration strategies and corporate culture are flexible enough to accommodate the complexities of international markets in their decision making process. The company may need to invest further in developing intercultural competence within its teams or consider alternative strategies that allow for more localized autonomy in international operations to ensure successful cross-border expansions.

4.4 Target Model

All of the interviewees with operational insight into M&A, i.e the team members and the CEO of Company X, made a point of the parent company's capability to quickly and efficiently reject potential targets not deemed to fit the "Target Model". There are two main features directly contributing to the team's effectiveness in decision-making. Firstly, a dedicated "Target Model" with a combination of parameters, often translated into a quantitative setting. Secondly, the team's understanding of the operational procedures of Company X, how it is organized, the culture and how the products create value, all of which can be translated into strategic fit. In a more direct manner, the target model maps well into their perceived picture of what an international target must possess. There has been a dominant view among the M&A team, as well as the CEO of Company X, that an international target must possess a customer base as well as key digital infrastructure with connection to data sources (such as banks, tax offices etc.). These data sources are also argued to be the key reason for why the firm would rather acquire than start from scratch. This view forms a core part of their problem description of internationalizing, and thus the target model becomes important in evaluating internationalization. The firm has implemented structured processes to update the target model to better fit organizational strategy. The CCDO elaborates:

"The business year plans, which we call them for all our six business areas. We condense

them into a strategic map from an offering perspective and key initiatives for each business area. And then we further condense the six maps into a single one for an overall strategic map for [Company X]. And it's from these that we create the filter."

The M&A team illustrates two main sources of model adjustment; personal perception of previous acquisition success and strategic maps. Through a defined process of post integration evaluation, the team is able to consolidate anecdotal and ill captured data missed in the due diligence process. They are also able to refine their understanding of the firm's cultural fit, as the acquired company will provide direct contrasts and highlight differences in organizational culture. Moreover, the actual performance post integration, both in means of financial goals and business functionality, provide clear validation of previous assumptions. The CCDO also emphasized that deviations from pre-acquisitions assessment of top line growth often do not meet expectations as a number of factors influence end-results. This points to the influence of core beliefs held by the management team, combined with the strategic map provided by each business unit, onto the internationalization planning. The strategic map mainly condenses the current offering and perceived opportunities in new offerings. They describe the collaboration with each business unit as crucial, as ultimately the individual business units decide on whether or not to proceed with a transaction. The collaboration with the strategic map allows the M&A team to better understand what transactions each unit is likely to sponsor, allowing for a reduction of redundancies due to mismatch between target and sponsor. Through a continuous process of refinement, the strategic plan, which originates from the fundamental beliefs held by various business units, undergoes iterative adjustments. These adjustments serve to update which represents the ideal characteristics or parameters of potential targets for expansion or acquisition endeavors. This ongoing refinement is influenced by past experiences and insights gained, shaping the company's internationalization plan.

"Abroad, it is usually about wanting more customers instead. In Sweden, we want more products because we already have so many customers. But if we were to go to another country, it is about buying ourselves a customer base where we can spread the products we make." (CEO of Company X)

4.5 Strategic Fit

All of the participants made claims on the impact of the capability to understand how the firm's products and organization creates value, which they argued is one of the core capabilities for M&A activities. It has already been mentioned how it guides target models, however, it plays an important role during PMI processes as well. Both the CCDO and the CEO of Company X expressed that the team had developed an ability to understand business, as they have consequently acquired and fully integrated all targets, wherein they have built significant revenue synergies and created joint go-to-market plans. These cumulative experiences have improved the team's ability to identify new market opportunities, but also improved PMI processes. It has been expressed repeatedly that the team is not responsible for any strategy formulation, as their mission is solely focused on providing a tool for business units to expand and improve their operations. A transaction can never proceed unless one or several business units sponsor the deal. Thus, for this cooperation to excel, the team must understand the operational procedures and current trajectory of future investments for each business unit. Therefore, the strategic fit capability can also be described as a bi-product of broader integration operations, wherein additional comprehension has been gained through their total integration of 7 target firms. This emphasizes the importance of experiential learning in capability building. What has also been evident is the M&A teams ability to efficiently add capabilities to functioning business units, broadening the scope of operations and accessing new market segments. The CEOs of the parent and acquired company both underscored the unique capability in achieving cross-organizational integration, which they attributed to the understanding of the M&A team. Instances of such dynamic capabilities captures the core of strategic conceptualization, and have enabled continuous growth of the business:

> *"An acquisition allowed us] to consolidate groups and also produce group financial statements, making it even more appealing for medium-sized companies to utilize [Company X]. […] This also means we have the opportunity to target slightly larger companies with our other services." (CCDO)*

Especially noteworthy is how they have managed to localize a market segment (medium sized companies) that naturally operates in multiple markets. The CCDO pointed out that medium sized industrial companies (in Sweden) are the most likely to broaden their operations to other markets. By leveraging the natural tendency for firms to internationalize, the parent company has established a gateway, through which the firm can grow organically in foreign markets. Bookkeeping and invoicing applications continue to be its significant sources of revenue; freshly acquired products are usually still in the early phases of development, which has established it as a comprehensive business platform and filling service gaps through the acquisition of pertinent modules has been the strategic goal. The ability to handle group consolidations and year-end financial statements increased Company X's attractiveness to medium-sized businesses. These enhancements have also opened the door for future global growth, with a focus on medium-sized companies looking to expand outside of Sweden. By adding products that can service these companies, and with a local partnership in that market, Company X has enabled an incremental internationalization strategy. The choice to collaborate with a partner in Norway instead of Sweden, was a clear strategic decision enabling intelligence gathering. Thus, they hope to tune the organization to better collaborate with foreign entities, directly shaping their internationalization strategy.

5. Pattern Matching Analysis

This section will compare our theoretical framework to our empirical findings, to contrast differences and similarities and to highlight our contributions. In table 2, a summary of the findings are presented. The structure of this section follows the structure of the theoretical framework, i.e. M&A capabilities, cognitive problem perception and strategic decision-making for internationalization, which will be compared to all of the four identified themes in the case. Each sub-section of the analysis follows the same arrangement; theory, empirical pattern, and analysis (differences, similarities and new insights). This pattern is replicated throughout this section.

Table 2 : *Pattern Matching*

Topic point and sources	Theory	Empirical data	Comparison
M&A Capabilities *M&A Process:* (Angwin et al. 2015; Haspeslagh & Jemison, 1991; Hodgkinson, 1997; Kiesler & Sproull, 1982; Prahalad & Bettis, 1986) *Pre-Acquisition Capabilities:* (Eberhard & Craig, 2013; Pinho & Prange, 2016; Vasilchenko & Morrish, 2011) *Post-Acquisition Capabilities:* Collins et al. 2009; Eisenhardt & Martin, 2000; Larsson & Finkelstein, 1999; Ranft & Lord, 2000; Sarala & Vaara, 2010)	Enhancing the mergers and acquisitions (M&A) function is essential for streamlining processes and aligning target models with business goals, addressing gaps in target identification highlighted by the literature. Managerial influence significantly shapes strategic planning through a "dominant logic" based on past experiences. Dynamic capabilities in networks are crucial for international expansion, providing access to key resources and specialized knowledge necessary for navigating global markets. Post-merger integration challenges, particularly in knowledge-based companies, underscore the need for effective cultural integration and asset reconfiguration to preserve intellectual capital. Leveraging domestic M&A experiences can aid international acquisitions but requires strategic adjustments to suit different cultural contexts.	Company X's strategic planning employs a structured approach, with annual meetings across its five business units creating a strategic map that guides decision-making and forms the basis of their "target model." This model effectively streamlines the evaluation of potential acquisitions by quickly eliminating unsuitable targets, allowing for a broader assessment of companies. Additionally, Company X uses internal and external networks to gain market insights and understand cultural nuances, crucial for international expansion. They adopt a rapid integration strategy post-acquisition, symbolically "painting everything Company X colored" to ensure alignment. However, capability gaps, particularly in integrating social structures essential for effective international management, pose occasional challenges. Company X continuously develops strategies to integrate and adapt these structures within their organizational framework for long-term success.	Empirical data underscores the importance of clear strategic objectives and target identification in strategic planning, identifying gaps where literature does not fully assess their impact on post-merger performance. Company X has formalized its M&A process, enhancing acquisitions and integrations. Both theoretical and practical perspectives highlight networks' critical role in international expansion, aiding in market insights and cultural nuances. Company X uses these networks for strategic target selection and knowledge sharing. Moreover, challenges of post-merger integration are addressed by both theoretical frameworks and Company X's strategies, including rapid integration and adapting social structures to maintain competitiveness and ensure long-term success.
Cognitive Problem Perception (Das & Teng, 1999; Downs, 1976; Gavetti & Levinthal, 2000; Gavetti, 2005; Jones et al. 1976; Kaplan & Tripsas, 2008; Keiser & Sproull, 1982; Nersessian, 2002; Schwenk, 1988; Simon, 1955; Simon, 1976; Teece et al. 1997; Tripsas & Gavetti, 2000; von Krogh & Roos, 1996; Walsh, 1995)	Individuals simplify real world impressions to produce action plans, leading to cognitive biases and limit rational problem solving. These simplifications are influenced by past experiences and assumptions about the context, resulting in path dependency where new solutions are often sought near previous ones. Mental models, shaped by prior experiences, impact decision-making, particularly in M&A activities, creating irreversible path dependencies that complicate the development of new capabilities and influence the subjective valuation of potential targets.	Managers' problem description of future M&A activities are dependent on earlier experiences and employment of capabilities. Investment in and experience of M&A work produce experiences that channel similar solution implementation in a new context. Cultural integration in domestic M&A activities produced greater expectancy of problems related to culture in internationalization. Strategy meetings with business units facilitate cognitive problem adjustment.	The findings highlight a feedback loop between capability employment and decision-making, where capabilities impact on cognitive problem perception consists of risk assessments and the transmission of old experiences into new domains. A major source of model improvement is joint strategizing with business units and team members.

Strategic Decision-Making for Internationalization *Governance Structure and Incentive Alignment:* (Eisenhardt, 1989; Fama, 1980; Jensen & Meckling, 1976) *Simplifying Decision-Making Processes:* (Eisenhardt & Zbaracki, 1992; Miles et al. 1978; Newell & Simon, 1972) *Internationalization Process:* (Johanson & Vahlne, 1977; Knight & Cavusgil, 2004)	The corporation functions as a network of contracts defining authority, purpose and responsibility, addressing the agency problem by aligning incentives through outcome-based contracts. Incentives and organizational structures provide the foundation for decision-making. Managers identify aims iteratively, breaking down complex problems into manageable sub-decisions. The Uppsala model outlines a gradual internationalization process where firms first enter low-risk markets to gain knowledge. In contrast, born globals internationalize rapidly, leveraging internal capabilities, technology, and networks. These firms, with their innovative culture and unique high-quality products, establish foreign partnerships to acquire local market intelligence.	Empirical data on integration emphasize aligning cultures, business practices, and core values through structured processes, especially in international acquisitions with cultural differences. Leveraging networks abroad helps understand foreign markets and identify targets. Promptly rejecting misaligned targets is a crucial capability, utilizing a target model. Updating the target model is an iterative process influenced by management beliefs and business unit collaboration. Internationalization strategies involve building market knowledge via networks and partnerships, considering geographic proximity, cultural similarity, and digital infrastructure. A dual approach includes gradual commitment through cross-border collaborations and active searches for major acquisitions.	In the empirical data, incentive alignment concerns synergy and cultural alignment. Empirically, while monetary incentives help temporarily, long-term alignment needs a common value base in culture, vision, and customer outlook. Empirical data shows quick integration is a governance approach to reduce disruptions and exploit synergies. Iterative decision-making is emphasized in theory and expanded empirically with strategic maps from business units and the target model, simplifying decision-making. Similar to the Uppsala model, knowledge acquisition and risk mitigation are key by entering proximate, culturally similar markets. External networks and a twofold internationalization strategy, enabled by Company X's M&A function, support organic and external growth, offering new insights.

5.1 M&A Capabilities

5.1.1 M&A Process

First of all, Trichterborn et al. (2016) suggest that M&A processes could be enhanced by establishing a dedicated M&A function. Furthermore, the literature has been relatively inconsequential in describing how firms go about identifying targets and setting up “target models”, and has not provided any greater explanation for how these models should be aligned with business goals and other M&A capabilities. However, Haspeslagh & Jemison (1991) and Angwin et al. (2015) account for a general model of a target acquisition process, wherein more general employment of strategic objectives, searching and screening are mentioned. The model also suggests a sequential process with clear focuses for each phase. In strategic planning, understanding the problem space is fundamentally shaped by managers' past experiences, as highlighted by research like those of Kiesler & Sproull (1982), Prahalad & Bettis (1986), and

Hodgkinson (1997). These studies suggest that managers often rely on their experiential learning to perceive and define new problems, indicating a reliance on cognitive frameworks developed through previous encounters. Prahalad and Bettis introduce the concept of the "dominant logic", a cognitive filter through which managers interpret information and make decisions, heavily influenced by past experiences and core strategic beliefs. This dominant logic acts as a lens, shaping not only problem recognition but also the evaluation of strategic options and decisions. Consequently, the perception of the problem space in strategic planning is not a static or objective view but is dynamically constructed from these deep cognitive structures. Managers' strategic beliefs, formed over years of experience, thus play a critical role in shaping the outcomes of strategic decisions by defining what they see as problems and how they approach solving them.

Company X has employed clear processes and structures. Through annual meetings with all of the five business units the M&A team creates a joint strategic map over company X's strategic outlook. The strategic map, combined with the team's own understanding of company X's cultural and product fit, provides the main inputs into their "target model". This lens will then serve as the comparative study of a target firm, directly guiding their decision making and enabling them to quickly eliminate targets that do not match. The main feature of the target model is the ability to quickly reject potential targets, which allows the firm to scan a wider range of potential targets.

Our findings support the core components of the model that emphasize strategic objectives and target identification procedures. In our analysis, these elements are defined by clear processes and structured approaches, underscoring their importance in the strategic planning framework. While the literature addresses the presence of strategic objective formation and target identification, it typically does not provide detailed guidance on their direct formation or operationalization. Moreover, there is a notable gap in the evaluation of how these processes impact post-merger performance, partly due to the difficulty in assessing the effects of transactions that are ultimately not pursued. This gap represents a kind of statistical fallacy, where the analysis is constrained to only successful or completed transactions, leaving out a full scope evaluation. Secondly, Company X has established a clear M&A function within the organization, a procedure that aligns with the literature. The creation of such a function is aimed at streamlining and strengthening the M&A process, potentially leading to better targeted acquisitions and smoother integrations. Although this paper does not delve more deeply into how alternative organizational structures might influence the efficacy of the M&A function, the implementation by Company X provides a practical example of how firms can use these critical processes to support strategic objectives and enhance post-merger integration outcomes.

5.1.2 Pre-Acquisition Capabilities

Eberhard and Craig (2013), Pinho and Prange (2016), and Vasilchenko and Morrish (2011) emphasize the pivotal role of dynamic capabilities, particularly in building and feeding social and business networks, for firms pursuing international expansion. These networks are not merely channels for transactional exchanges but crucial assets that provide firms with access to vital resources, market insights, and strategic alliances. As firms enter and navigate diverse international markets, these connections can significantly reduce the uncertainty and complexity associated with foreign environments. Further exploring the implications of network capabilities, Madsen and Servais (1997), along with Hoang and Antoncic (2003), highlight the instrumental role of these networks in acquiring and accommodating specific knowledge that is critical for successful international ventures. Networks serve as channels for experiential learning, offering both explicit and tacit knowledge about international markets. This includes cultural nuances, regulatory frameworks, and consumer behavior in different territories, which are often inaccessible through conventional market research. These scholarly insights collectively suggest that network capabilities are not just supplementary but central to the internationalization process. By leveraging networks, firms can gain nuanced understanding and support, facilitating smoother entry and operations in foreign markets, and ultimately enhancing their competitive advantage on the global stage. Therefore, networks are not static resources but dynamic capabilities that evolve with the firm's potential international expansion, continuously influencing its strategy and outcomes in the global marketplace.

To effectively manage the complexities of international expansion, Company X has strategically utilized its network capabilities to acquire market knowledge and understand national cultural differences. This is achieved through a dual approach involving both external and internal networks. Externally, Company X taps into its connections with investment banks and companies in various countries. These relationships provide valuable insights into the local markets, cultural practices, and consumer behaviors, which are critical for tailoring their strategies to each specific region. Internally, Company X fosters an environment where knowledge and contacts are shared across different business units. This internal network acts as a supply of cumulative knowledge, helping different parts of the organization learn from each other's experiences and best practices. This unconventional approach to knowledge management not only enhances Company X's understanding of diverse market dynamics but also strengthens its overall operational connection. To further mitigate the risks associated with entering new markets, Company X strategically scouts international targets that are not only geographically preferable but also culturally aligned and equipped with the necessary digital infrastructure to support their products. This cautious strategy enables Company X to extend its footprint while minimizing the typical hurdles of international market entry, such as cultural misalignment and logistical complexities. By leveraging both their extensive external networks and robust internal communication, Company X positions itself to more effectively navigate the challenges of global expansion.

Both theoretical frameworks and empirical data consistently underline the pivotal role that networks play in international expansion, highlighting their crucial function in obtaining deep market insights and understanding diverse cultural nuances. Networks, both internal and external, are strategically deployed to not only enhance a company's competitive edge but also to mitigate various risks that naturally accompany the venture into new markets. These networks are not just passive channels, rather, they act as dynamic channels through which specialized knowledge essential for navigating complex international markets is shared and acquired. Despite these overarching similarities, the approaches in discussing networks differ between the empirical data and the theory. The theory adopts a theoretical stance, focusing on the concept of dynamic capabilities and their critical role in the development and feeding of robust networks that support global expansion efforts. It delves into how these capabilities enable firms to adapt and thrive in the ever-changing global market dynamics. On the other hand, the empirical data second provides a detailed account of how Company X operationalizes these theoretical concepts into effective, practical strategies. It outlines specific methods through which Company X leverages its network strengths to foster internal knowledge-sharing across various business units and strategically selects targets that align with the company's cultural and operational ethos, thus minimizing potential issues like cultural misalignment and logistical issues. These real-world applications demonstrate how theoretical models are interpreted and implemented to address specific challenges faced during international expansion, offering insights into the pragmatic aspects of using networks to secure a stronger foothold in potential global markets. This detailed exposition not only illustrates the application of theoretical insights but also showcases the adaptability and strategic thinking involved in translating theory into action, reinforcing the significance of networks in achieving successful international expansion.

5.1.3 Post-Acquisition Capabilities

The integration challenges faced by knowledge-based companies during post-merger processes are multifaceted and significant, as explored by researchers like Ranft and Lord (2000 & 2002). These challenges stem largely from the social structures of acquired organizations, which, while showing their capabilities, are often vague, fragile, and prone to disruption. This is particularly critical because knowledge-based firms heavily rely on their intellectual capital, including patents, proprietary technologies, and the tacit knowledge and skills embedded within their human resources. The informal networks, cultural ties, and communication channels within these organizations play a vital role in feeding and maintaining this intellectual capital. However, these are the very elements that are open to breakdowns during mergers, potentially leading to a loss of key capabilities and a decrease in innovation. This understanding is complemented by the insights of scholars like Sarala and Vaara (2010), who underscore the positive impact of effective cultural integration on performance outcomes post-merger. They advocate for the standardization of functions and robust communication across merged entities as essential steps toward successful integration. Similarly, Eisenhardt and Martin (2000) point out the necessity for firms to rapidly adjust assets and capabilities to maintain competitiveness in dynamic markets. Further, Collins et al. (2009) provide evidence that firms can leverage their domestic merger and acquisition experiences to facilitate international acquisitions. This suggests that learning capabilities gained from domestic integrations can be instrumental in navigating cultural integration in international contexts. However, they also caution that developing intercultural alignment capabilities from purely domestic M&A activities can be challenging, highlighting a gap that firms need to address in their integration strategies. This complex interplay of learning, cultural integration, and capability reconfiguration underscores the delicate balance firms must manage to harness the full potential of their mergers and acquisitions.

The empirical data gathered from Company X's interviews, including insights from the head of the M&A team and the CCDO, highlight a proactive and rapid integration approach, referred to as painting everything “Company X green.” This metaphor not only symbolizes but actively demonstrates Company X's commitment to rapid cultural and operational alignment post-acquisition. Such an empirical approach is in close alignment with theoretical discussions in the existing literature about M&A strategies. However, the interviews also reveal a critical gap: the M&A team currently lacks the capabilities necessary to in a good way support and integrate the essential social structures for managing and expanding internationally. This deficiency poses significant barriers to effectively leveraging the potential synergies that might arise from such expansions. The challenge, therefore, is not only in the integration strategy's ability to preserve, but also to enhance these fragile social structures within the acquired companies. For companies like Company X, looking to expand internationally through acquisitions, it is crucial to understand and integrate these subtle yet critical aspects of a company's infrastructure. Successful integration involves recognizing the value of existing social structures and actively developing strategies to support and adapt them within the new organizational framework. This approach ensures that strategic and operational aspects are aligned with the delicate social dynamics that underlie the long-term success of international ventures.

Both theoretical perspectives and empirical data consistently underscore the amount of challenges associated with post-merger integration. These discussions bring to light the inherent vulnerability of social structures within organizations and stress the critical importance of preserving intellectual capital, which encompasses both tacit knowledge and human skills that are invaluable to the continued success of a company post-merger. The theoretical framework delves into a broad spectrum of challenges and outlines strategic approaches for effective cultural integration and the necessary reconfiguration of assets to ensure sustained competitiveness. It also explores the strategic benefits of leveraging experiences gained from domestic mergers and acquisitions to enhance capabilities for international expansion. In contrast, the empirical evidence provided by Company X offers a better view of how these theories are put into practice. It highlights specific strategies that the company has implemented, such as their proactive "painting everything Company X colored" integration approach, which symbolizes and actualizes the rapid incorporation of new acquisitions into the core culture and operational processes of the company. This approach, alongside targeted efforts to address and bridge intercultural capability gaps, exemplifies the practical application of broader theoretical concepts. Company X's efforts demonstrate a deliberate and thoughtful application of strategies designed to adapt and strengthen essential social structures within their evolving organizational framework, thereby aiming for long-term success.

5.2 Cognitive Problem Perception

The suggested theoretical framework on cognitive problem perception provide three major points; individuals simplification of the real world to reduce the problem space into feasible action plans (Gavetti, 2005; Kaplan & Tripsas, 2008; Simon, 1955, 1976; Walsh, 1995), albeit with discrepancies that can provide cognitive biases and limit rational problem solving (Das & Teng, 1999; Schwenk, 1988; Simon, 1955; von Krogh & Roos, 1996). These problem descriptions are based upon assumptions and beliefs about the context in which the firm operates, which stems from individual experiences (Downs 1976; Jones et al. 2011) Thus, the theoretical implication points to the path dependency of previously employed capabilities when faced with new problems, as a solution search will begin in the vicinity of previous solutions (Dray et al. 2006; Gavetti & Levinthal, 2000; Kiesler & Sproull, 1982; Klayman & Ha, 1989; Neressian, 2002; Teece et al. 1997; Tripsas & Gavetti, 2000). Hence, the literature argues for the direct influence of any capability on an individual's cognitive problem perception. Simon's (1955) notion of mental models serve well into the complex system of organizational change brought about by M&A activities. He argues that decision makers do not and cannot obtain a full understanding of reality, but have to approximate it through cognitive simplifications in order to make decisions. Due to cognitive computational limitations all relevant information cannot be processed, which in combination with the human tendency to put biases on certain information will provide skewed representations of the world (Das & Teng, 1999). Biases, but also other assumptions and beliefs about the problem space have largely been attributed to real world experiences, validating an individual's assumptions. Gavetti & Levinthal (2000), Tripsas & Gavetti (2000), Neressian (2002) and Kiesler & Sproull (1982) support the notion of previous experiences impact on mental models, as they argue it is the main way of updating one's mental model. Managerial decision making can often be derived from their previous experiences, which can be expressed in the form of capabilities or their experiences of single events (Tripsas & Gavetti, 2000). Hence, when a firm employs M&A capabilities, certain capability specific experiences will be gained, which differ depending on the specific capability employed and impact the cognitive problem perception (Tripsas & Gavetti, 2000). So, when faced with a new problem, the individual's previous cognitive problem perception will constrain (or enable) the search for a solution (Klayman & Ha, 1989; Simon, 1955; Teece et al. 1997). This creates ill-reversible path dependencies for firms, complicating the development of new capabilities with radically new requirements (Teece et al. 1997). Moreover, it constrains the problem space, and most likely influences the subjective valuation of a potential target in e.g an international setting.

The collected data provide insights into the managers problem description, and core beliefs about the firm's strategic position. These form the observable part of their mental models, and can be corroborated against their perception of different courses of action, and utilization of capabilities. The M&A team, coupled with the CEO, put forward their view on what risks they perceive to be the most challenging. They associate cultural differences and control as core obstacles in overcoming internationalization barriers. The M&A team acknowledges that it does not have enough intercultural capabilities—a critical grasp of national culture differences—to facilitate successful cross-border M&A. The integration process may be greatly impacted by these variations in a number of ways. Communication hurdles are a big issue that came up throughout the interviews. It was noted that language barriers and different communication styles might make it difficult for teams from diverse cultures to communicate effectively. It translates directly to their perceived increased risk in performing transactions in an international context, where they also problematize the degree of integration that is possible.

The company has had an explicit strategy of fully integrating acquired business units, and have thus invested heavily in optimizing the organization to better facilitate integration processes. Combined with their heavy focus on achieving synergies, they consequently advocate for the highest level of integration possible. It has been an explicit view expressed among members of the m&a team, that the firm pursues a strategy seeking full integration. In comparison with a competitor, which has utilized more of an investment-fund approach, buying discrete assets, the firm is reluctant to use this model with its desire to achieve synergies. Therefore, their capability to integrate firms has created a reliance on integrable acquisitions, requiring longer efforts of understanding the target's strategic fit, effectively eliminating alternative targets that could provide good cases of growth. The interviewees also revealed a structured process of adjusting target identification parameters, where each business unit's own strategic understanding effectively became the executable path. The fact that ultimately M&A activities are tools to support the development of business units, instead of a strategy enforced by executives to achieve external growth, limits the potential solution search area. Moreover, their understanding of previous domestic M&A transactions also forms an avenue for model adjustment. The team is able to validate or disprove certain assumptions, about the transaction, or the post-merger integration process. It has been frequently stressed that achieving a cultural merger between companies provides the core challenge, in their sofar domestic experience. They have continually expressed a belief in heightened complexities in achieving cultural integration with greater national cultural differences, and have taken measures to explore these risks. One example is through the utilization of a Norwegian partner, in the hopes of better understanding market and culture factors, by collaborating across borders. The CCDO demonstrated three key parameters they consider in planning for market entry; distance and cultural proximity and degree of digitization. A direct utilization of a reductionist model that shapes their cognitive problem perception.

It has been clearly demonstrated that managers utilize simplified mental models in conceptualizing the problem space, as proposed by Simon (1955). There are of course real limitations in measuring the cognitive problem perception of an individual, however, the M&A have highlighted a number of parameters, which form their description of the validity of a target or a market. These cannot possibly accommodate all relevant information, but they effectively provide decision support, to narrow down the number of possible solutions. The findings also support the creation of joint mental models within the M&A function. Simon (1955) emphasized discrepancies between different individuals' own mental models as a source of organizational behavior, however, the data supports the creation of joint understanding of the problem space.

The source of mental models has largely been attributed to previous experience (Downs 1976; Jones et al. 2011), and are tied to the employment and the dependency of previous capabilities (Teece et al. 1997). It is the reason why firms find it difficult to adjust capabilities to changing circumstances, as they are historically dependent on implemented structures and processes. Our findings suggest a codependent relationship between the previously employed capabilities and cognitive problem perception. The firm has invested significant resources in adapting the organization to better accommodate new acquisitions. By employing integration capabilities, their evaluation of a transaction is bound by the necessities of integration, i.e problems arising during the process will affect their perception of future problems in the same domain. So, in an international context, where they have explicitly stated that they wish to achieve as high a degree of integration as possible, their domestic experiences in integrating a firm will translate to a changed evaluation of a potential target. This feedback process seemingly affects the evaluation of new capabilities and strategies, as both the M&A team and the CEO see no future for the hands off-approach in a potential international acquisition. What has not been expressed in the literature is the formulation of the feedback at hand, where the experience itself stems from the employment of capabilities and subsequent experiences. While the data points to the influence of capability employment, the main focus has been on the structured process of yearly strategic plans, where business units can provide their input, so that the team is not solely reliant on their own experiences. In conclusion, companies are affected by cognitive problem perceptions through the simplification of complex problems and reliance on past experiences, which create path dependencies that influence decision-making and capability development.

5.3 Strategic Decision-Making for Internationalization

5.3.1 Governance Structure and Incentive Alignment

Jensen and Meckling (1976), with their application of agency cost frameworks in governance structures, provided a lens to understand corporate decision-making by depicting a corporation as a set of interdependent contracts establishing authority, purpose and responsibility. The agency problem arises when there is misalignment between the incentives of decision-makers and those of the owners, hence, contracts should be designed in a manner that aligns their incentives (Fama, 1980; Jensen & Meckling, 1976). This issue is not confined to the owner-board relationship, the same structure exists throughout the organization between any party with decision-making power (Eisenhardt, 1989; Fama, 1980). Eisenhardt (1989) suggests that principals are better served using outcome-based contracts. In essence, incentives and internal organizational structures provide the foundation for the decision-making process.

The empirical data on integration processes highlight the importance of aligning cultures, business practices and core values for successful integration. Company X puts emphasis on integrating acquired companies quickly and thoroughly, a strategy aimed at achieving synergies between the parent company and the acquired firm. Structured processes are in place to facilitate this alignment. Company X stresses that both the integration process and the acquisition itself would be difficult without cultural and customer outlook synergies. This is especially true for international acquisitions, because national cultural differences increase the complexity. In these settings, effective integration entails harmonizing core values and behaviors across different cultural contexts, in addition to merging operations. Company X actively leverages its networks and partnerships abroad to better understand international markets, in order to identify suitable international targets that align with its culture, core values and customer outlook.

A comparison between theory and empirical findings unveils similarities and novel insights not previously addressed in the literature. Both the theoretical perspectives (Fama, 1980; Jensen & Meckling, 1976) and the empirical data highlight the importance of incentive alignments.

Theoretically, outcome-based contracts are used to address this. Empirically, however, Company X's integration processes aspire for synergy and cultural alignment, which are forms of aligning organizational incentives. This effort aims to align the parent company and the acquired company towards common goals, ultimately driving value for the organization. The empirical findings suggest that, in the context of an acquisition, the acquiring firm can only use monetary incentives to align interests temporarily. In the long run, true alignment requires establishing a common value base in terms of culture, vision for the merged entities, and customer outlook. Additionally, the role of governance structures in guiding decision-making processes is a focal point in the theory (Jensen & Meckling, 1976). Company X's approach to integration of quickly incorporating acquisitions into the firm's operations demonstrates a structured governance approach to minimize disruptions and exploit synergies.

5.3.2 Simplifying Decision-Making Processes

Theory (Eisenhardt & Zbaracki, 1992) supports the existence of cognitive constraints in the rational model. Furthermore, the authors state that managers usually do not engage in a thorough search; rather they find their aims while looking, during which decisions go through iterative stages of problem identification, development and selection. This decision-making process involves breaking down complex problems into manageable sub-decisions using generalized procedures (Newell & Simon, 1972). The authors propose that in order to simplify complex environments into conceptual models, this process involves adopting shortcuts. Therefore, systematic behavior analysis suggests an underlying logic guiding decision-making despite the absence of explicitly programmed decision processes (Miles et al. 1978). Thus, given the complex environment decision makers operate in, and considering their ability to only approximate rationality in solving problems, they adopt shortcuts to simplify complex issues.

The empirical findings reveal that the respondents who possess operational insight into Company X's M&A processes highlight the capability to promptly reject targets that do not align with the target model. The target model reflects their understanding of Company X's operations, culture, and value creation, which can be translated into strategic fit. The dominant view among the respondents is that an international target must possess an established customer base and key digital infrastructure with connection to data sources (such as banks, tax offices etc.). This perspective is essential for evaluating internationalization opportunities. Company X updates its target model through a structured process where business area plans are integrated to form a strategic map, which serves as a filter for potential acquisitions. Model adjustments are based on personal perception of past acquisition success and strategic maps provided by the business units, refining the company's internationalization strategy. This iterative process highlights the influence of core management beliefs and collaboration with business units, ensuring alignment between targets and organizational strategy.

A comparison between theory and empirical findings unveils similarities and novel insights not previously addressed in the literature. An iterative decision-making process is emphasized by both the theory and empirical data. Eisenhardt and Zbaracki (1992) describe how decisions cycle through stages of problem identification, development, and selection. Similarly, Company X's structured approach for updating the target model and strategic map reflect an iterative approach to continuously refine the criterias for which they base their acquisition decisions on. The empirical findings, however, expand on how the decision-making processes are updated, providing a more detailed understanding of this iterative process. Through annual meetings with all of the five business units, the M&A team distills a joint strategic map outlining Company X's strategic outlook. This strategic map, combined with the team's own understanding of the firm's cultural and product fit, provides the main inputs into their target model. The model then serves as the comparative framework for evaluating potential target firms, directly guiding decision-making and enabling quick rejection of targets with significant deviations from the desired criteria. The empirical results also highlight the value of integrating strategic inputs from various business units, to enrich decision-making processes and ensure that the strategic map and target model are aligned with the firm's overall strategic objectives. Additional similarities between theory and empirical findings regards simplifying decision-making processes to deal with complex issues. Newell and Simon (1972) suggest that decision-making processes entail decomposing complex problems into manageable sub-decisions through the use of standardized procedures. Company X's use of a target model with specific parameters simplifies intricate M&A decisions, enabling efficient screening and rejection of targets, and strategic fit assessment. This mirrors the theoretical approach by breaking down multifaceted decisions in

M&A into workable components, thus facilitating a more streamlined process allowing for scanning a wider range of potential targets.

5.3.3 Internationalization Process

Two significant strands of theory on internationalization are the Uppsala model and literature on born globals. The Uppsala model (Johanson & Vahlne, 1977) describes an incremental process of internationalization, in which firms progressively acquire, integrate, and apply market knowledge over time. The model focuses on the importance of psychic distance, i.e. the perceived differences between the home country and foreign markets in regards to cultural, linguistic, institutional and economic factors. Psychic distances create uncertainty and perceived risks, leading firms to initially enter markets with low psychic distance, to gradually expand to more distant countries (Johanson & Vahlne, 1977). According to the model, this incremental approach allows firms to gain knowledge and experience, reducing uncertainty and mitigating risks associated with international expansion. In contrast, literature on born globals emphasizes firms that do not follow the incremental internationalization process depicted in the Uppsala model. Knight & Cavusgil (2004) coined born globals as firms that internationalize rapidly. Such firms use their knowledge-based internal capabilities, and leverage technology, networks and market opportunities to increase outputs and thrive in multiple countries. Born globals exhibit a strongly innovative culture that fosters the development of organizational capabilities, driving early internationalization and superior performance in international markets by producing high-quality, unique products (Knight & Cavusgil, 2004). They often establish partnerships with foreign distributors to gain local knowledge, develop new customer segments, and gather market intelligence (Knight & Cavusgil, 2004).

The empirical findings reveal that Company X leverages both internal and external networks to build foreign market knowledge. They have engaged with investment banks for market intelligence and physically met with numerous companies in Finland, Norway and Denmark to gain understanding of the operational landscape of these markets. This decision-making is based on the acknowledged importance of developing intercultural capabilities and gathering market insights. Company X has decided to focus on the Nordic countries for potential targets due to their geographic proximity, cultural similarities, and advanced digital infrastructure, to help alleviate risks and align with the company's need for developed digital environments. Company X's internationalization strategy involves a dual approach; the evidence substantiates both a) gradual commitment with intel collection through cross-border collaborations, and b) active search for a major acquisition of an international target. Company X has utilized acquisitions to build products that more easily service customers operating across international borders. These products, with lower barriers to entry, have then through organic growth reached Norway, without having any operations in the country. At the same time, a more opportunistic search for a cross-border acquisition is being made.

A comparison between theory and empirical findings unveils similarities, differences and novel insights not previously addressed in the literature. Both the Uppsala model (Johanson & Vahlne, 1977) and the empirical findings mark the importance of knowledge accumulation in the internationalization process. Company X's emphasis on building understanding for cultural differences aligns with the Uppsala model's focus on gradual knowledge accumulation. Additionally, Company X's decision to mitigate operational risks by acquiring a firm in a country that is geographically proximate, culturally similar and on a comparable level digitalization-wise to Sweden, aligns well with the Uppsala model's emphasis on the role of psychic distances in internationalization. As predicted by the model, Company X intends to begin their international expansion by entering into a market with low psychic distance to Sweden, in order to reduce uncertainty and minimize risks. Furthermore, the emphasis that is placed on leveraging technology and networks in the born global literature (Knight & Cavusgil, 2004) is reflected in Company X's use of external networks to build market knowledge. Thus, Company X's strategy entails a preparatory phase of acquiring market knowledge and forming strategic partnerships in the Nordic countries, with the intention of being well-informed before an international expansion.

Moreover, Company X's internationalization process contrasts with the rapid internationalization associated with born globals, companies that often expand into multiple markets shortly after their inception (Knight & Cavusgil, 2004). Born globals concentrate on speed and innovation to swiftly grab international markets, often relying on products that possess attributes that facilitate expansion into multiple markets. Company X has not engaged in rapid, widespread market entry, partially due to its products not having the same product transferability usually associated with born globals. The empirical findings from Company X also offer novel insights not explicitly incorporated in the existing literature. The firm's twofold internationalization strategy with both gradual commitment with intel collection through cross-border collaborations and active search for a major acquisition of an international target, is more complex than previously theorized, where a company seems able to pursue several approaches – both organic and external international growth – simultaneously. This has been enabled by Company X's establishment of a dedicated M&A function that supports each business unit in achieving its strategic goals.

6. Discussion

6.1 Theoretical Contribution

Our goal in this paper was to explore the relationship between capabilities, cognitive problem perception and strategic decision making for internationalization. While prior work in M&A capabilities have mostly focused on the design and source of M&A success, we have sought to derive the effects these processes serve on strategic decision making in planning for internationalization, by investigating managers' cognitive problem perception.

The research extends dynamic capabilities (DC) theory by demonstrating the impact of M&A capabilities on strategic cognition and, by extension, decision-making for internationalization. Thus, it complements prior research by exploring how firms perceive their problem space based on their capabilities. The findings reveal that M&A capabilities influence the way firms perceive and define their strategic problem space, and are guided by their cognitive frameworks in making strategic decisions. They are also dependent on previous capabilities in overcoming new challenges, as these create positive feedback relationships between perception and continual employment. Thus, dynamic capabilities are examined in a new context, bringing in psychological factors of internal mental processes such as perception and problem-solving. Additionally, by integrating M&A capabilities, cognitive problem perception and strategic decision making tailored to the context of internationalization, this study binds a shattered but well researched field, by suggesting how this sequential relationship functions. Previous research has addressed fragmented aspects of this topic, illustrating that M&A capabilities influence the cognitive problem perceptions of decision-makers, which in turn shape their strategic decision-making processes, ultimately impacting the firm's path of internationalization. However, our research synthesizes these insights into cohesive findings, demonstrating how these elements collectively impact the firm's decision-making process for internationalization, by also adding insights from an operative case.

6.2 Practical Implications

The findings are of relevance to decision-makers of firms in a strategic planning process for internationalization, by developing findings on how decision-making processes are affected by M&A capabilities through the establishment of cognitive problem representations. Investments in capabilities shape problem perception, creating path dependencies and self-reinforcing processes that narrow the problem space. Therefore, the opportunity cost of pursuing a specific capability must account for future reliance on that capability and the resulting path dependencies. Hence, understanding how M&A capabilities affect mental problem perceptions, can assist decision-makers in exploring their cognitive biases and combat organizational inertia. Moreover, internationalization efforts should seek to minimize risks by creating an understanding of a chosen market, and simultaneously employ that knowledge in efforts to exploit it. Using M&A capabilities, firms can bridge a dual approach to internationalization by seeking external and organic growth. Hence, internationalization processes can be more continuous than binary.

6.3 Future Research

The research conducted opens up several avenues for further exploration. While this study's focus lies on the software as a service (SaaS) industry, future research could investigate how M&A capabilities impact decision-making processes for internationalization in other sectors. To build an understanding of industry-specific dynamics, future research could conduct comparative case studies across diverse industries. Similarly, to strengthen the empirical findings of this paper and increase generalizability, future studies should incorporate multiple case studies to identify patterns and variations in how M&A capabilities influence strategic decision-making in varied contexts.

This study focuses on the planning phase of internationalization. Longitudinal studies are needed to understand M&A capabilities' long-term impact on internationalization paths, performance, and growth. Moreover, the study's qualitative nature furnishes for detailed insights, but would benefit from additional quantitative research to test and validate the findings of this paper. If future studies would find a feasible way of quantifying M&A capabilities and cognitive mental models' bearing on decision-making processes, it could offer robust empirical evidence. Furthermore, future research could develop on our findings by exploring the effects of other types of capabilities on strategic decision-making processes for internationalization.

6.4 Limitations

This case study analysis is conducted within a Swedish context, meaning that the participants' insights are naturally influenced by and specific to the Swedish context. Due to this, the participants' perspectives and experiences are shaped by the economic, cultural, and regulatory conditions of Sweden, which may not be directly applicable to other markets. In line with this, the scope of this study is limited to a single case company. Although the findings may offer some insights applicable to other companies within the same sector, the ability to generalize the findings to different contexts is limited. The unique characteristics and circumstances of the case company entails that the results might not fully translate to companies operating in different industries, geographical locations, or under different regulatory environments. Therefore, it can be difficult to apply these findings beyond the specific context of this study. Furthermore, the study overlooks perspectives of certain other relevant stakeholders such as shareholders, board-members etc. To increase generalizability, more empirical validation is needed.

7. Conclusion

The findings of this study have demonstrated how M&A capabilities impact the decision making process in strategic planning for internationalization, by investigating the mediating effect of cognitive problem perception. Firstly, it is suggested that the absence of intercultural capabilities influences decision-making for internationalization by increasing decision-makers' perceived risks of expanding into foreign markets. This is compensated for by employing network capabilities to build market knowledge, and by planning for entry into markets that are geographically proximate, culturally similar and with high degrees of integration.

Secondly, M&A capabilities shape how internationalization challenges are perceived, as the utilization of capabilities frame cognitive problem perception and provide path dependencies. These capabilities allow decision-makers to view problems through the prism of their past experiences, reinforcing the use of familiar strategies. This cognitive reinforcement increases the likelihood that the same capabilities will be employed in the future, potentially limiting the development of other strategies.

Lastly, a dedicated M&A function can enable a twofold internationalization strategy with both gradual commitment and intelligence collection through cross-border collaborations, and active search for an acquisition of an international target. Thus, a firm can pursue both organic and external international growth simultaneously. On the one hand, an incremental internationalization strategy can be facilitated by the capability to acquire strategically suitable firms, to build products that more easily service customers operating across international borders. On the other hand, developing a dedicated M&A team provides a pathway to pursue a more opportunistic search for a cross-border acquisition.

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Appendix

Background Questions:

1. Could you introduce yourself and your role at Company X?
2. How long have you been working at Company X?
3. What is your main area of expertise?
4. What is your experience with M&A?
5. How do you primarily work with M&A-related issues?
6. How do you primarily deal with issues related to internationalization?

M&A, Cognitive Problem Perception and Internationalization:

1. What capabilities do you consider important for successful internationalization, and which of these capabilities do you think Company X has developed through its M&A work?
2. From your perspective, how do the capabilities Company X possesses in M&A affect the company's efforts to establish itself internationally?
3. How do you weigh different opportunities for international expansion?
4. What does your decision-making process look like? What carries the most weight?
5. What capabilities do you consider to be the core for practicing M&A?
6. How do you think the capabilities you possess in identifying, acquiring, and integrating in Sweden affect your ability to do the same thing abroad?
7. What kinds of means do you use to build market knowledge, given that the company is not already established abroad?
8. How does the company's use of networks support the development and implementation of M&A strategies?
9. How do you conceptualize your internationalization process, in terms of goals for internationalization, perceived opportunities, and potential risks?
10. How do you work to integrate experiences from previous acquisitions and how are they followed up?
11. How do you assess that the capabilities that have helped to create successful domestic acquisitions and integration can shape acquisitions that may enable cross-border expansion?
12. What risks do you see with domestic M&A transactions affecting decision-making in the internationalization process?

Authorship Statement

This study purposefully showcases the independent work of the group's authors, Melker Eveborn, Magnus Rejare and Alexander Svensson. Initially, some parts of the thesis were written separately, especially the literature review and method sections. In the literature review, Eveborn accounted for the part on M&A capabilities and Rejare for the part on cognitive problem perceptions. The third section of the literature review, i.e. decision-making for internationalization, was jointly written by Eveborn and Rejare. To begin with, Svensson accounted for the method section part of the thesis. This made it possible to work efficiently and allot time at the end of the project for proofreading, discussing the content of each other's contributions, and adding or removing text as needed. As such, much of the content written initially has been revised and reworked collectively among all authors. Since this arrangement permitted each member to contribute to every section of the thesis, the text is ascribed to all authors. The remaining sections of the paper were written as a collective, with equal contributions from each author for each section.

AI Usage Statement

Firstly, AI was applied in this study with the tool Klang.ai that enabled the transcription of the conducted interviews. The transcript is not included explicitly in the thesis. However, the quotes found in the case description chapter are derived from Klang.ai. Lastly, the AI tools ChatGPT and Quillbot were predominantly used to find synonyms for words throughout the text in order to avoid unnecessary repetition and increase the flow of the text for the reader. Such AI tools were also used to rephrase and edit certain sentences. Prompts like “Can you make this sentence more clear?” or “Can this sentence be improved?” were used. Hence, AI was primarily used for text editing and to phrase sentences differently, and not with the purpose of generating text or getting inspiration. This made it possible for us to avoid risks associated with AI, namely the risks of AI hallucination and other biases.