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# The Impact of Post-acquisition Integration and National Culture in M&A

## - A Case Study of Chinese Acquisitions in Sweden

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### Abstract

During the last years, the number of Chinese acquisitions of European companies has increased. The aim of this paper is to research whether organizational and managerial differences can be identified in acquisitions in this new context, and to what extent these can be explained by post-acquisition integration theory and national culture theory. Using a qualitative case study research design on three of the first Chinese acquisitions on the Swedish market, we identify four organizational and managerial differences: approach to control, hierarchy, personal relationships and long- versus short-term orientation. The results indicate that neither post-acquisition integration theory nor national culture theory, nor both, can explain all aspects of the identified organizational and managerial differences. However, it is concluded that national culture can explain the approach to hierarchy and long- versus short-term orientation, while the level of post-acquisition integration and acquisition motive seems to accentuate these differences. Moreover, post-acquisition integration theory can explain the difference in approach to control, while both theories offer partial explanations of the difference in approach to personal relationships.

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## 1. Introduction

*“China is on a global shopping spree with the world’s largest cash reserve.”*

(Sydsvenskan, 2011)

The quotation from the Swedish newspaper Sydsvenskan alludes to a growing trend where Chinese companies acquire European companies. The value of Chinese acquisitions in Europe between 2007 and 2011 is estimated to almost 10 billion EUR. However, the statistics only include the largest acquisitions and the real number is according to experts expected to be up to three times higher. The increase in Chinese acquisitions is a relatively small part of the much larger flows of total Chinese direct investments. This means that the trend is even clearer when China’s total foreign direct investment is included. (Svenska Dagbladet, 2011, 2012)

According to approximate numbers published by Rhodium Group in a Swedish newspaper article, Chinese direct investments in Sweden between 2007 and 2011 amount to approximately 1,4 billion euro (Svenska Dagbladet, 2012). Investments have been made in a wide spectrum of businesses – from automobiles to telecom and fireworks, although the Volvo-Geely deal alone constitutes a large part of the investments (Sydsvenskan, 2011). This indicates that there is a clear trend, which is furthermore projected to intensify over the future decades.

Simultaneously to the increased Chinese interest in international acquisitions, Europe is currently seeing a period of historically cheap valuations, low interest rates and declining volatility. The situation on the European market opens up further opportunities for Chinese companies. (Financial Times, 2012)

However, with opportunities come challenges: merging, integrating and controlling multinational companies are complicated tasks (Beusch, 2007, p.4; Seo & Hill, 2005, p.1). Approximately 50 % of all mergers and acquisitions fail (Deresky, 2011, p.252). Challenges include differences in national and organizational culture, problems with shared ownership, integration of structures and systems, distribution of power, conflicts

related to decision-making and control, loss of knowledge, conflicting strategic goals and objectives and decrease in employee motivation. (Deresky, 2011, pp.249-50)

However, the most critical aspect of strategic and financial success of mergers and acquisitions (M&As) has been found to be post-acquisition integration (Morosino, 1998, p.71; Hitt et al., 2001, p.88). This refers to the co-ordination of people, systems, processes, practices and cultures taking place in the initial phase after the acquisition (Beusch, 2007, p.2). It is estimated that one third of all failed mergers are results of imperfect integration (Kitching, 1973 see Shrivastava, 1986, p.66). Out of all issues related to integration, culture is often raised as the primary source of problems.

*“In general, one can say that most researchers in this area agree that the neglected attention to cultural issues is a principle cause of integration problems and M&A failure.”*  
(Schuler & Jackson, 2001; Buono & Bowditch, 2003 see Beush, 2007, p.60)

Merging two companies with differing organizational cultures has proven to be challenging, and merging two companies that in addition have differing national culture backgrounds, poses an even greater challenge. Many researchers believe that problems will increase as cultural differences increase. (Beusch, 2007, p.60)

The development of Chinese cross-border acquisitions will influence the Swedish, and the European, business environment in the years to come. As a result, European managers face new challenges. Instead of managing a Chinese organization on the account of European owners, they will now manage an organization in their own culture, while at the same time reporting to Chinese owners.

The emerging trend and the challenges faced by both the Chinese acquirers and the European target companies constitutes an interesting context for research. It is relevant to study organizational and managerial challenges when the trend is still emerging, as learnings about post-acquisition integration and related cultural challenges thereby can be applied to the expected future Chinese acquisitions. Researchers focusing on cross-border M&As express post-acquisition integration and cultural differences as two main aspects to consider. In a recent article in China Daily, the same aspects are identified as

the key challenges for Chinese companies in international acquisitions. (China Daily, 2011)

Against this background, the thesis aim to provide an initial study of the first Chinese acquisitions in Sweden with the objective to identify organizational and managerial differences. In a second step, an attempt is made to explain and understand these differences by applying the two perspectives of M&A integration and national culture theory.

## 1.2 Problem Definition

The integration process and cultural differences are both common sources of issues in an acquisition. Moreover, issues in the integration process and cultural issues tend to be interrelated and joint causes of failed acquisitions. However, in order to address such issues it is necessary to know what issues that stem from integration and what issues that stem from cultural differences. Thus, it is relevant to analyze potential differences in organization and management observed by practitioners in the light of both areas of research. This is especially true when two cultures meet in a new context, such as the Chinese and Swedish cultures meeting in the new M&A context on the Swedish market. The risk is always that one source of issues, for example cultural differences, are used to explain problems that in fact are caused by another source, like the integration process.

Based on the above we base our study on the following assumptions:

- 1. In the Chinese acquisitions of Swedish companies studied, issues have arisen that can be explained by characteristics of the post-acquisition integration process.*
- 2. In the Chinese acquisitions of Swedish companies studied, issues have arisen that can be explained by differences in national culture.*

In connection to the above assumptions, it is important to recognize that culture consists of both national and organizational culture. As these aspects of culture are interrelated both ought to be considered when studying culture. However, in order to

limit the scope of the study to make it practically achievable, culture will be studied solely from the perspective of national culture. Hence, we refer to national culture in the assumptions above as well as in the aim and research question.

### 1.3 Aim and Research Question

The aim of the thesis is to conduct a small case study on three of the first Chinese acquisitions on the Swedish market, from a management and organizational perspective. Seeing that little previous research of this specific context exists, the objective is to generate initial learning and generate questions for further research. Studies are needed to support practitioners working in the context of Chinese-Swedish acquisitions.

Three Chinese acquisitions of Swedish companies are studied in order to identify if any common differences and issues regarding organization and management exist. If common differences are found, these will be analyzed in order to further identify which aspects of the issues that can be explained by the post-acquisition integration process and which aspects that can be explained by national cultural aspects.

Hence, the aim is to answer the following research questions:

- 1. What common organizational and managerial differences can be observed in the three Chinese acquisitions of Swedish companies studied?*
- 2. To what extent can these differences be explained by on one hand national cultural differences, and on the other characteristics of the post-acquisition integration process?*

### 1.4 Delimitation

The study has been made entirely from a Swedish perspective and within the geographical borders of Sweden. All the interviewees are owners or employees at Swedish companies. Hence, the Chinese perspective on the organizational and managerial differences studied is not incorporated.

Furthermore, no attempt is made to identify *all* organizational and managerial differences within the context studied. Instead, the thesis focuses on the recurring differences in the three case studies.

Finally, due to the limited scope of the thesis, we will not differentiate between the Hong Kong-Chinese culture and the Mainland Chinese culture.

## 1.5 Previous Research

### **Mergers and Acquisition Theory**

M&A as a phenomenon is over a century old, but the specific cross-border M&A phenomena has foremost been researched during the last decades. Most research on M&A is focused on a specific perspective of the M&A, among others the strategic and managerial perspective, the process perspective and the HR and cultural perspective. (Beusch, 2007, pp.17-19) (Søderberg & Vaara, 2003, p.19)

In studies of M&As, the managerial perspective is the most common view taken. The perspective centers on the manager's role in achieving a successful M&A. The process perspective focuses less on the manager's role and advocate that M&A integration issues are best studied as a process where the acquisition is framed as a series of phases. The HR and cultural perspective has received researchers attention due to the high percentage of failed M&As. This perspective focuses on culture and people as determinants for the way M&A integration occurs. (Beusch, 2007, p.29)

Kitching (1967) was the first to point out the importance of the post-acquisition period and that integration must be researched as a problem area, in addition to strategy. He based his argument on a study of how M&A strategy is linked to financial income. It was found that the M&As having the greatest potential for synergies in the form of production and shared technology achieved the worst financial outcome, whereas purely financial mergers performed best. Hence M&A strategies that require a high extent of integration face greater challenges (Kitching, 1967 see Beusch, 2007, pp.20-21) (Hitt et al., 2001, p.83). Gradually more and more scholars have focused on integration issues (Søderberg & Vaara, 2003, p.20).

M&A research on culture has focused on organizational cultural integration processes and sought to explain post-merger problems in terms of cultural clashes between merging companies. Integration issues are in this research mostly seen as being caused by objective cultural differences. (Søderberg & Vaara, 2003, pp.23-24)

### **National Cultural Theory**

There are many frameworks developed to bring clarity to national cultural differences. One of the most widely used is Hofstede's Cultural Dimensions theory, first published in 1980 (Beusch, 2007, pp.4-5), which differentiates between cultures based on differences in what the cultures value. Other frameworks differentiate cultures based on differences in interpersonal communication (for example Hall 1981, 1990), and yet other on the motivational goals underlying societal values (for example Schwartz, 1992, 1994). (Tayeb, 2003, p. 44-45)

The frameworks aim at explaining cultural differences and do this by establishing a number of cultural dimensions. Cultures are characterized and positioned on these cultural dimensions, and some of the frameworks also include numerical measures for each country to facilitate comparison between nations. (Nardon & Steers, 2009, p.3)

The cultural dimensions included differs between all frameworks, although several frameworks include dimensions relating to the perception of time, individualism vs. collectivism, how to distribute power, the value of relationships and people's relationship with the environment/nature (Tayeb, 2003, pp. 47-59). Important to clarify though, is that the frameworks' definition of these dimensions differ, and that several frameworks have excluded some of the mentioned dimensions, and have included yet other.

In summary, numerous frameworks have been published on national cultural differences.

Lastly, it should be mentioned that the concept and construction of culture is widely discussed. Defining culture is a problematic task, and there are as many definitions as



there are books on the subject. Considering the scope of this thesis, this discussion will not be further elaborated on. For the definition of culture used in this thesis, please see *Clarifications and Definitions* below.

## 1.6 Clarifications and Definitions

### Clarifications

- Stockholms Tunnelbana (The Stockholm Subway) is the organization that, under procurement contracts, operates the Stockholm Subway system. The former supplier of operations was Veolia, but as of November 2<sup>nd</sup> 2008, the procurement contract was transferred to MTR Stockholm. MTR Stockholm was established in connection to the transition and operates Stockholms Tunnelbana as a subsidiary to MTR Hong Kong. According to the Swedish Employment Protection Act, most employees are transferred to the new operator in the transition, although parts of the management were changed.

While MTR Stockholm is a procurement contract, the situation resembles that of an acquisition since employees and operations were transferred at the change of supplier. For this reason, and for practical reasons, the procurement contract will be referred to as an acquisition throughout the thesis.

- Although the thesis focuses on acquisitions, the theory concerning acquisitions is often referred to as both Mergers and Acquisitions. As a result, the term Mergers and Acquisitions will be used throughout the essay, abbreviated as M&As.

### Definitions

- To define integration, Beusch's definition is used:

*"Inter-organizational co-ordination of systems, processes, and practices (or even people), necessary after an acquisition"* (Beusch, 2007, p.2)

- To define culture, Beusch's definition is used:

*"The patterns of beliefs and values that are manifested in practices, behaviors and various artifacts shared by members of an organization or a nation. These beliefs and values are not something stable, but rather are an ongoing interpretation process because cultures are created and recreated." (Beusch, 2007, p.29)*

## **1.7 Disposition**

The thesis will pursue the following disposition: firstly the method of research will be presented. Secondly, we will focus on the theoretical framework, which is divided into two parts: Post-acquisition integration theory and national culture theory. Thirdly, the empirics will describe the case study companies and the four organizational and managerial differences identified. In the fourth part, the empirical material will be analyzed in two steps: The case study companies will be analyzed regarding their post-acquisition integration and the conclusions will then be used together with the cultural framework, to analyze the four organizational and managerial differences. Finally, the conclusions will be presented together with a discussion concerning the findings.

## 2. Method

### 2.1 Scientific Approach

#### **The Choice of Research Method**

The research in this thesis has been performed with a qualitative approach. A qualitative approach is suitable when the objective of the research is to understand, not explain (Andersen, 1998, p.31). Moreover, a qualitative approach allows for the researcher to get to the inner experience of participants and determine how meanings are formed through and in culture (Corbin & Strauss, 2008, p.12). The research in this thesis focuses on interviewees' experiences of certain organizational and managerial differences in relation to integration and culture. In order to understand this in depth, a qualitative approach is preferred to a quantitative.

#### **The Choice of Theory Formation**

The study is based on qualitative depth interviews. Conclusions have been derived from analysis of empirics using existing theoretical frameworks. This means that neither a deductive nor an inductive approach is solely applicable. Instead this research has been realized using an abductive approach, where the two methods are combined and developed to facilitate understanding. An abductive approach implies developing the empirical field of research and the theoretical framework throughout the research process. (Alvesson & Sköldbberg, 2008, p.55)

Furthermore, since the research is based on a few case studies with the aim to draw a few general conclusions, the method is also of an explorative form. (Andersen, 1998, p.30)

### 2.2 The Case Study Design and Data Collection

#### **The Choice of a Case Study**

According to Andersen (1998, pp.128-33) case studies are often necessary if the objects of the study are organizations in their natural environment. To be able to describe, understand and explain what happens within the organizations it is necessary to have a

large sample of variables but limit the amount of units to observe (Andersen, 1998, p.129). To be able to study the organizations closely and to facilitate a deeper knowledge of the research area, the choice was made to perform the research in the form of three case studies.

### **The Pilot study**

A pilot study was performed prior to the main research study. The objective was to scan the subject field and gain knowledge about suitable study objects, specific research question and research method. Media coverage of Chinese acquisitions in Sweden was therefore researched and interviews with experienced and knowledgeable persons within the subject field were performed.

<b>Pilot Study Interviews</b>		
<b>Interviewee</b>	<b>Position</b>	<b>Company/Organization</b>
Niklas Rönnbäck	Managing Director Northern Europe	CDC Software
Sören Pettersson	Senior Investment Advisor	Invest Sweden
Thomas Lagerkvist	Senior Counsel	Mannheimer Swartling Business Law Firm

*Table 1. The table displays the name, position and organization of the participants in the three pilot study interviews made.*

Mannheimer Swartling's publication "Quotations from a Chinese Practice" (Lagerkvist & Ohrling, 2011) was also studied as a part of the empirical background research in order to better understand cultural differences between China and Sweden.

The pilot study proved that Chinese acquisitions of Swedish companies has been subject to limited previous research at the same time as the number of Chinese acquisitions are expected to increase greatly in the Swedish market. Thereby, this trend in acquisitions was concluded relevant to study with regards to which specific complications that may arise connected to the two different national cultures and the M&A integration process.

## **Case Study Objects**

To identify appropriate case study objects, recent Chinese acquisitions in Sweden were researched. Based on the pilot study interviews, news articles and a search in the database Orbis<sup>1</sup> twelve potentially interesting companies were identified: Hanssons Fireworks, Hammargrens Pyroteknik AB, Volvo, the Stockholm subway/MTR Stockholm, ZTE, Huawei, AmanziTel, CMP, Weigl Transmission Plant, Cap Gale and ChinaDotCom (CDC).

To further select among potential case study companies three criteria were applied:

- Some employees from before the acquisition must still be employed in the company, to facilitate sufficient information gathering concerning the acquisition period.
- The acquisition must have been large enough for the acquirer to gain more than 50 % of the shares.
- The company's operations must have remained in Sweden after the acquisition.

The majority of the companies were excluded due to the fact that they did not fulfill the criteria. One company was excluded due to lack of interest in participating in the study.

As a result, the case study has been performed with Hammargrens, MTR Stockholm and AmanziTel.

## **Data Collection**

Within the three chosen companies three to four employees were asked to participate in the study. The interviewees were chosen to secure that different perspectives were obtained from employees in various positions. Selection was based on three criteria:

- Numbers of years employed within the company
- Position within the company
- Degree of work-related contact with the Chinese parent company

The interviewees are presented in table 2 below.

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<sup>1</sup> Search criteria: Country: Sweden (SE) ( Target ), Country: China (CN) ( Acquirer )

Research Study Interviews		
Company/Organization	Interviewee	Position
AmanziTel	Jonas Schultz	Development Manager
AmanziTel	Craig Taverner	Co-founder and CTO
AmanziTel	Johan Tedenvall	Product Manager
AmanziTel	Ian Vernon	Co-founder and CEO
Hammargrens	Mariann Daun	Financial Manager
Hammargrens	Dan Kanetoft	Production Manager
Hammargrens	Thomas Wetterström	CEO
MTR Stockholm	Charlotte Brask	Quality Specialist
MTR Stockholm	Maria Kronlund	Capacity Building Manager
MTR Stockholm	Henrik Unosson	Project Manager

*Table 2. The table displays the organization, name and position of the employees interviewed in the three case study companies.*

### Primary Data

During the full process of the study thirteen interviews have been performed. Three of these were performed as part of the pilot study.

Two of the studied companies are situated more than 500 km from where the thesis was written. However, to secure sufficient quality in the interviews the two researchers travelled to the companies' offices. The objective was to avoid telephone interviews, due to the loss of non-verbal communication when interviewing through telephone compared to face-to-face interviews. (Gillham, 2005, p.103)

All the interviews conducted were semi-structured. The advantage of semi-structured interviews is that they provide a balance between structure and openness compared to for example unstructured interviews (Gillham, 2005, p.70). The interviews were performed based on Gillham's (2005, pp.76-79) recommendation for how to conduct a semi-structured interview. The interviewees were informed about the aim and objective of the research via email and telephone before the interview. To make the interviewee feel comfortable, the interviews started with small talk, general information and clarifications of the objective of the interview. Focus then moved to the interview questions. Towards the end of the interviews follow-up questions were asked and potential misunderstandings clarified. The interviewees were also asked if they wanted to add anything to make sure that no important information was lost.

Both the pilot study interviews and the main study interviews were recorded and transcribed in their entirety, since this is a necessary step to interpret the data (Flick, 2009, p.299). Interviewees have read the transcripts and approved the content, and clarifications have been made via email. Follow-up questions have also been communicated via email.

### **Secondary Data**

The thesis is first and foremost based on empirical data, but some secondary data has been gathered from the case companies' web pages. Furthermore, a memorandum published by Invest Sweden was used when researching suitable case study companies and news articles published in the daily press have been read to set the context for the background.

### **Analysis of Data**

The analysis of empirics has foremost been conducted using sub-analysis, meaning that each interview has been analyzed to detect recurring concepts (Holme, 1996, pp.141-4; Andersen, 1998, p.186). To support this, a comprehensive analysis has also been conducted, focused on clarifying the context of the interviews and bringing process into the analysis (Corbin & Strauss, 2008, pp.229-63). A detailed description of how the analysis of the empirics was made follows below.

During the process of transcribing the interviews they were also read in their entirety to gain an overall understanding of the material. After this both researchers read all the interviews again and marked interesting passages. Every passage was commented with themes or headings to indicate why it was interesting: an attempt to make a structured conceptual analysis according to the process described by Corbin & Strauss (Corbin & Strauss, 2008, pp.159-228). This was followed by a comprehensive discussion on, and mapping of, what organizational and managerial differences could be found in the empirics and how these should best be labeled and grouped. The marked passages were then classified and sorted according to the differences detected, so that a first analysis of each organizational and managerial difference could be made.

The organizing of empirics according to the differences observed gave an indication of what theoretical frameworks were needed in order to answer of the research question. Theoretical frameworks were chosen to match the empirical findings and deepen the analysis.

The second part of the analysis process was started by a detailed run-through of the material where each organizational and managerial difference was discussed in depth and evaluated. The evaluation aimed at concluding which of the identified differences had bearing in all three companies and were suitable for analysis in reference to the theoretical framework. As a result, six organizational and managerial differences were discarded and four were retained. These four differences are analyzed in the thesis.

### **2.3 Reliability and Validity**

The degree of reliability and validity of a thesis aims at evaluating the quality of the research. Reliability is the extent to which the method of the research will produce similar results on all occasions, given that conditions do not change (Bell, 2005, p.117). Validity concerns whether a study researches what it was meant to research (Bell, 2005, p.117). Both of these notions have been criticized for not being fully applicable when evaluating qualitative research and concepts such as credibility has been suggested to replace them (Corbin & Strauss, 2008, p.301). However, because of the limited scope of this thesis, we have chosen to not elaborate on this matter and use the reliability - validity framework.

Regarding reliability, there is always a risk that a similar study will reach other results, but as shown in the methodological section, research in this thesis has been conducted in a systematic manner. Furthermore, it has followed widely accepted frameworks for how to conduct qualitative research, and the aim has been to be as consequent as possible in the data sampling and analysis.

Concerning the validity, all the interviews were conducted face-to-face so as to be able to analyze not just what has been said, but also detect non-verbal communication. Furthermore, all interviews were recorded and transcribed, and later also approved by



the interviewee to minimize the risk of misunderstandings. To further minimize the risk of faulty conclusions, the organizational and managerial differences in the empirical data judged to have insufficient bearing were discarded and excluded in the final analysis.

### 3. Theoretical Framework

As stated in the introduction and research question, post-acquisition integration and cultural differences are the two perspectives applied to analyze the potential organizational and managerial differences identified. Three theoretical frameworks from these two areas have been chosen as tools for analysis. Firstly, two frameworks by Seo & Hill (2005) and Shrivastava (1986) are used to analyze the differences from the perspective of post-acquisition integration. Secondly, a framework by Nardon and Steers (2009) is used to analyze differences from the perspective of national cultural differences. The frameworks are presented below.

#### 3.1 Post-acquisition Integration Theory

Seo and Hill's (2005) framework of the integration stages of M&As is presented first followed by Shrivastava's (1986) framework that treats the determinants of the need for post-acquisition integration.

##### **Integration Stages of Mergers and Acquisitions**

The article "Understanding the Human Side of Merger and Acquisition" by Seo and Hill (2005) presents an integrative framework built on previous M&A literature. The framework is used to analyze how far in the integration process the case study companies have come and what issues that characterize the stages they are currently in.

The framework separates the M&A integration process into four stages: premerger stage, initial planning and formal combination stage, operational combination stage and stabilizations stage. Depending on which stage in the integration process that the merging companies are in, sources of problems varies.

Seo and Hill's depiction of the sources of problems that appear during the different stages are based on six underlying theories: anxiety theory, social identity theory, acculturation theory, role conflict theory, job characteristics theory and organizational justice theory. They are commonly discussed in relation to the human side of M&A and

aim at explaining employees' psychological and behavioral responses to M&A-related organizational change. Due to the scope of this thesis, the underlying theories will not be further elaborated on. (Seo & Hill, 2005, p.424)

The stages of the integration process that are relevant to this study are the two post-acquisition stages: the operational combination stage and the stabilization stage. These two stages are presented more closely below. Firstly, the stage is defined and secondly the sources of problems characterizing each stage are described.

#### *Operational Combination Stage*

In this stage organizational functions and operations are integrated, involving for example restructuring of work tasks and reporting systems. Moreover, interaction takes place between the organizations, involving top management as well as operational levels of the organization. Cultural clashes can become a barrier, resulting in intergroup conflict and stress, tension and anxiety for the individual. Common battlegrounds include negotiations about changed job assignments and roles. At this stage, integration affects most aspects of the organizations including procedural, cultural and role related aspects. Consequently, this stage is often prolonged beyond managers' expectations and may last for years. (Seo & Hill, 2005, pp.436-7)

#### *Stabilization Stage*

In this stage operational combination is completed and the new organization consolidated and stabilized regarding procedures, roles and culture. However, some issues and adjustments might remain, most commonly cultural and psychological integration, unsatisfactory new job characteristics and potentially prolonged anxiety. (Seo & Hill, 2005, pp.433-7)

### **Determinants of the Need for Post-acquisition Integration**

One of the first researchers to examine what post-acquisition tasks were necessary was Shrivastava. His framework from 1986 is one of the most widely used frameworks in this area of research (Shrivastava, 1986, p.21). The framework treats the degree of post-acquisition integration needed in acquisitions.

The framework is applied to establish the degree of post-acquisition integration required in the individual acquisitions, as well as which parts of the organizations and which individuals that are required to integrate most. Through establishing this, analysis of how the organizational and managerial differences can be explained by post-acquisition integration is facilitated.

According to Shrivastava (1986) three key factors determine the extent of post-acquisition integration needed: acquisition motive, size of companies and type of acquired company.

### *Motive*

The motive of an acquisition generally follows from an overall strategy for growth or diversification. Depending on the motive, the need for post merger integration differs considerably. If merging businesses are highly related a high degree of integration is generally required whereas the opposite applies to unrelated businesses merging. There are six categories of acquisition motives: increase market share in a limited product or market domain, reduce competition, buy technology, rapid growth, impulse purchase or exploit multiple synergies. (Shrivastava, 1986, p.73)

### *Size and Type of Acquired Company*

A third factor is the type of the acquired business. When categorizing the types of acquired companies, Shrivastava (1986) uses a widely used classification that organizes companies according to four stages of corporate growth: small single-unit firm, functionally organized companies, divisionalized corporations, and conglomerate firms.

Size also affects the degree of integration required. If the merging companies are large, integration problems are likely to be more diverse and intensive.

Extent of Post-acquisition Integration Needed – Shrivastava (1986)				
Acquisition Motive	Size and Type of Acquired Business			
	Small-single Unit Firm	Functional	Divisionalized	Conglomerate
<b>Increased Market Share in a Limited Product/market Domain</b>	Integrate Physical assets, production and marketing functions	Integrate product lines and functional areas	Integrate only the relevant division	
<b>Reduce Competition</b>	Integrate procedural aspects	Emphasize procedural and sociocultural integration		
<b>Impulse Purchase</b>	Examine fit between strategy and acquired firm characteristics do selective integration			
<b>Buying Technology</b>	Integrate physical assets, especially technological systems	Employ comprehensive integration of the procedural, physical and sociocultural aspects	Integrate physical assets and procedures of the division that possess the technology	
<b>Rapid Growth</b>		Integrate physical assets and procedures	Restrict integration to monitor financial performance of divisions	Do not integrate beyond legal requirements
<b>Multiple Synergies</b>	Integrate comprehensively	Integrate comprehensively ; emphasize functional area integration	Selectively integrate divisions that have synergies with the firm	Focus on financial synergies
<b>No text = Indicates rare occurrences</b>				

*Table 3. The table displays the extent of post-acquisition integration needed in acquisitions according to the three key determinants acquisition motive, size and type of acquired business.*

### Three Levels of Integration

In the framework, Shrivastava (1986) also separates integration into three different levels of integration: procedural, physical and sociocultural. These terms will be referred to throughout the thesis, including the empirics and the analysis. They are therefore defined below.

### *Procedural Integration*

The objective of procedural integration is to standardize and homogenize work procedures. Concretely, this implies combining systems and procedures of the merged companies at the operating, management control, and strategic planning levels. (Shrivastava, 1986, p.68)

There are two degrees of procedural integration. Firstly, basic procedural integration involves integrating the companies legally and financially. Secondly, more comprehensive procedural integration involves integration of functional areas, as well as other management control systems and procedures that may need to be transferred. Hence it might require collection of new data, changes in report format, redesign of work procedures, structural adjustments and changes in personnel. Due to its comprehensive nature, such integration can be disruptive for the organization. (Shrivastava, 1986, p.68)

Furthermore, if a low degree of procedural integration is needed, the target company may be defined as a strategic business unit (SBU). This implies that the target is integrated in the corporate strategic planning system but remains an autonomous profit center. The acquirer only provides the target with broad goal-oriented guidelines. (Shrivastava, 1986, p.69)

### *Physical Integration*

Physical integration usually takes place together with procedural integration. It implies consolidation of product lines, production technology, plants, equipment, R&D projects, etc. Although time consuming, physical integration is key to integration. This is especially the case if the acquisition was motivated by achieving synergistic effects in operations. (Shrivastava, 1986, p.69)

### *Sociocultural Integration*

Sociocultural integration involves a complex combination of aspects such as redesign of the organizational structure, development of corporate culture, creating a frame of reference for strategic decision-making and gaining commitment and motivation from

personnel. Such integration takes a long time and oftentimes it does not happen at all. Sociocultural integration is achieved through processes of socialization, mental readjustment among managers, development of homogenous decision-making procedures and building trust. (Shrivastava, 1986, pp.70-71)

### 3.2 National Culture Theory

Nardon and Steers have created a framework that combines the most widely used models on national culture. It was first presented in 2006, but a later edition was published in 2009.<sup>2</sup> The framework is created to facilitate cross-cultural comparisons applicable in management research. Hence, it provides a stable and nuanced foundation for an analysis of national cultural differences.

Nardon and Steer's framework, Core Cultural Dimensions, builds on six models of national culture and seeks convergence in the dimensions presented by each of the six models. Based on this, five cultural dimensions are constructed, all of which can be recognized in all six underlying models.

Each of the cultural dimensions in the framework has two modes of characterizing cultures, for example hierarchical and egalitarian. Using the same example, each country is characterized to be hierarchical, hierarchical+, egalitarian or egalitarian+, where the plus sign implies that the characteristic is strong. This means that if one country is hierarchical+, and another is egalitarian+, they are as far a part as possible in this dimension.

Four out of the five dimensions identified by Nardon and Steers will be presented below. However, concerning the fifth dimension - Time Orientation – Nardon and Steers have chosen to focus on monochronic vs. polychronic perceptions of time, which is not applicable for this thesis. For this reason, we have chosen to complement their framework. Our analysis is based on the understanding of time as the difference between long- and short-term orientation. Several earlier frameworks builds on this

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<sup>2</sup> The thesis builds on the later version from 2009. However, the positioning of different National cultures was only included in the first version. Therefore the 2006 version has been used as the basis for comparisons between Sweden and China.

understanding of time, and the principal resemblance among them is that they focus on the degree to which cultures plan for, and focus on, the future (Nardon & Steers, 2009, pp.14-15). The framework by Hofstede et al. from 2010 has been chosen as the theoretical framework for this dimension. Their perception of time has a better fit with the specific empirical material than Nardon and Steers', and we believe that it will facilitate a better analysis.

### **Relationship with Environment: Mastery vs. Harmony**

This dimension focuses on the degree to which members of a culture try to control the environment or adapt to the surroundings. Nardon and Steers follow Schwartz's (1994) approach and distinguishes between cultures using the terms mastery and harmony. In mastery cultures there is a focus on controlling the natural and social environment, achievement is valued over relationships and there is an emphasis on assertive and proactive approaches. In harmony cultures, focus is on living in harmony with nature and adjusting to the natural and social environment, relationships are valued over achievements, there is a tendency towards being cautious and skeptical to change, and there is an emphasis on passive, reactive approaches. (Nardon & Steers, 2009, pp.13-14)

China is positioned to be a harmony culture, while Sweden is harmony+. (Nardon & Steers, 2006, pp.41-42)

### **Social Organization: Individualistic vs. Collectivistic**

The Social Organization Dimension focuses on the fundamental issue of whether society and interpersonal relationships are organized based on individuals or groups, on a cultural level. Individualistic cultures are characterized by a preference for preserving individual rights over social harmony. It is believed that people achieve self-identity through individual accomplishments, and communication is often low-context. In a more collectivistic culture a group-centered approach is highly valued, it is believed that people achieve self-identity through group membership and agreements are often relationship-based. (Nardon & Steers, 2009, pp.11-13)

China is positioned to be collectivist+, while Sweden is collectivist. (Nardon & Steers, 2006, pp.41-42).



**Power Distribution: Hierarchy vs. Egalitarianism**

The Power Distribution dimension aims at explaining the extent to which power in a society is distributed hierarchically or in a more egalitarian fashion. In a hierarchical culture, there is a belief in ascribed or inherited power and decision-making is often centralized. Furthermore, there is a strong respect for, and reluctance to question, authority. Finally a strong emphasis on who is in charge exists. In contrast, egalitarian cultures believe that power should be distributed relatively equally. There is a willingness to question authority, organization is horizontal and decision-making is participatory or decentralized. (Nardon & Steers, 2009, pp.10-11)

China is positioned to be hierarchical, while Sweden is egalitarian+. (Nardon & Steers, 2006, pp.41-43)

**Rule Orientation: Universalism vs. Particularism**

This is a dimension where the different models have rather different views, but they all agree that the use of rules to control behavior is a critical dimension to differentiate cultures (Nardon & Steers, 2006, p. 16). In a universalistic culture, rules, laws, formal policies and social norms regulate individual behavior. These rules are followed without question and applied in a universalistic manner. Moreover, they emphasize meticulous record keeping and doing things formally. On the contrary, in particularistic cultures unique circumstances or influential people often regulate individual behavior. There is an emphasis on interpersonal relationships, trust, and on doing things through informal networks. (Nardon & Steers, 2009, p.17)

China is positioned to be particularistic/relationship-based, while Sweden is universalistic+/rule-based+. (Nardon & Steers, 2006, pp.41-43)

<b>Country Ratings of National Culture – Nardon and Steers (2006)</b>				
<b>Country</b>	<b>Relationship with Environment</b>	<b>Social Organization</b>	<b>Power Distribution</b>	<b>Rule Orientation</b>
<b>China</b>	Harmony	Collectivist+	Hierarchical	Particularistic
<b>Sweden</b>	Harmony+	Collectivist	Egalitarian+	Universalistic+

*Table 4. The table displays the country ratings of Sweden and China for the four cultural dimensions Relationship with Environment, Social Organization, Power Distribution and Rule Orientation according to Nardon and Steers' framework (2006).*

### **Time Orientation: Long- vs. Short-term**

Concerning this specific cultural dimension we have chosen to depart from Nardon & Steers framework and instead base the analysis on the distinction between long- and short-term oriented cultures, as presented by Hofstede et al (2010).

According to Hofstede, a short-term oriented society will be characterized by, for example, that efforts should produce quick results. On the contrary, a long-term oriented society is characterized by for example being sparing with resources and having a respect for circumstances. In a business setting, countries with a long-term orientation will focus on their market position, their profits ten years into the future and invest in life long networks, for example. Conversely, cultures with a short-term orientation will value leisure time and this year's profit. (Hofstede et al., 2010, pp.242-51)

On an index of how long-term oriented different cultures are, where 100 is the most long-term oriented a culture can be, China scores an index of 87 and Sweden 53, according to Hofstede. (2010, pp.255-56)

<b>Long-term Orientation Index Values – Hofstede et al (2010)</b>		
<b>Country</b>	<b>Rank (of 93 countries)</b>	<b>Index</b>
<b>China</b>	4	87
<b>Sweden</b>	37	53

*Table 5. The table displays the rank and long-term orientation index values of Sweden and China according to Hofstede et al. (2010).*

## 4. Empirical Material

The empirical material is organized into two parts. In the first part, the case study companies are presented and there is a specific focus on information regarding size, motive for the acquisition and aspects of integration. In the second part, the identified organizational and managerial differences are presented.

### 4.1 The Case Study Companies

The Swedish companies included in the study will be presented below, together with their parent company.

#### **AmanziTel and DingLi**

##### *AmanziTel*

AmaziTel, situated in Helsingborg, was founded in 2008, and has a turnover of approximately 3 million SEK annually. During the first years, they focused on telecom and open source software solutions. The number of employees was limited to the two co-founders, Ian Vernon and Craig Taverner, and developers/consultants. In early 2011, AmanziTel started looking for external funding, as they needed to grow and was unable to do this organically. (Vernon, 2012, p.3)

Today there are nine employees as well as developers/consultants. The two founders has taken on new roles and work tasks. Furthermore, the sales and marketing of AmanziTel's products have largely been transferred to DingLi. Employees indicate that changes have been time-consuming and to some extent distressing. (Vernon, 2012, pp. 2-4; Taverner, 2012, p. 5)

##### *DingLi*

DingLi operates in the telecom industry. However, in contrast to AmanziTel, DingLi's primary focus is on hardware. DingLi has a turnover of approximately 490 million SEK, and 1400-1500 employees. They are currently growing rapidly, due to strong growth on the Chinese market. Taverner says that DingLi is an international company (considered

in the Chinese context), and that the management has a feeling for the western culture. (Taverner, 2012, p. 13)

The initial motive to buy AmanziTel was expansion into Europe. However, during negotiations technology emerged as a new, stronger motive. AmanziTel's innovative technological ideas and software constituted a perfect match with DingLi's hardware products in order to offer end-to-end products to customers (Taverner, 2012, p.2). Hence, the acquisition was motivated by multiple synergies. Following the changed motive, the strategy of AmanziTel was modified to create a better match with DingLi's products and strengthen synergies.

DingLi acquired 51 % of Amanzitel in May 2011 (Taverner, 2012, p.2), and it was also agreed that DingLi are to acquire the remaining 49 % in two to three years. Vernon and Taverner own the remaining 49% of AmanziTel, and one part of the acquisition agreement is that Vernon and Taverner continue working in the company. (Vernon, 2012, p.13)

Regarding integration, basic procedural has taken place in AmanziTel. Functional integration - including changed reporting formats, collection of new data, redesign of work tasks and changes in work procedures - has also taken place in AmanziTel, but it is an ongoing process. Physical integration is still taking place in the form of integration of technology. Sociocultural integration can be observed in that managers are coordinating assumptions and frames of reference for decision-making. Moreover, Schultz expresses that processes of socialization and building of trust is taking place at the operational level. However, there are no signs of integration of corporate culture.

## **Hammargrens and Brothers**

### *Hammargrens*

Hammargrens Pyroteknik AB, situated in Kungsbacka, has produced and sold fireworks on the Swedish market for over a century. Currently, the company has 11 employees and an annual turnover of approximately 30 million SEK. In the beginning of the twenty-first century, Hammargrens was in financial distress, and due to this, it was sold in 2002. (Wetterström, 2012, p.1; Kanetoft, 2012, p.3)

### *Brothers*

The Chinese fireworks producer Brothers Pyrotechnics Inc was founded in 1995 and is specialized in research, development, production and export of fireworks. Brothers has over 3000 employees, an annual turnover of around 1 billion SEK and 60 factories across China. It is privately owned and controlled by the owner and business leader Gary Wang. The acquisition of Hammargrens was Brother's first international acquisition (Wetterström, 16<sup>th</sup> April 2012, email). Rather than actively and independently choosing Hammargrens and Sweden, the acquisition was made in response to an offer by Hammargrens' former owners. DingLi's motive was to establish a direct connection into the Swedish market, without intermediary suppliers, to increase sales. Through acquiring the leading Swedish retailer of fireworks, substantial market shares were reached. (Wetterström, 2012, p.4)

The previous owner remained as CEO until 2006 in order to ensure continuity and stability, but structure, work procedures and personnel have not changed substantially after the acquisition. The previous sales manager, Thomas Wetterström, took over as CEO in 2006 and has kept the position since (Wetterström, 2012, pp.1, 2, 15). According to Wetterström, there was a transition period of insecurity, tension and conflicts in Hammargrens that lasted until 2008. At this point, Brothers recruited an external accountant educated in western accounting and following this, the acquisition went into a more stable phase. (Wetterström 2012, pp.2, 8)

Today, almost ten years have passed since the acquisition and Hammargrens gives the impression of being in a stable relationship with its owner. The required aspects of procedural integration took place between 2002 and 2008. Functional integration seems to have been required to a limited extent and some sociocultural integration has taken place through building of trust and development of personal relationships. Organizational procedures and cultural aspects of integration are well settled and the employees appear content with their roles and work tasks. Moreover, there are no indications of prolonged anxiety in the organization.

## **MTR Stockholm and MTR Hong Kong**

The case of MTR Stockholm and MTR Hong Kong differs from the other case studies in two main aspects. Firstly, the parent company is based in Hong Kong, rather than on the Chinese mainland. Secondly, the relationship consists of a public procurement contract instead of an acquisition. MTR Stockholm is responsible for operating, planning and the maintenance of Stockholms Tunnelbana through a public procurement contract of eight years, which has the potential to be prolonged six years. The contract came into force on November 2<sup>nd</sup> 2008, when the subway operator switched from Veolia to MTR overnight.

### *MTR Stockholm*

MTR Stockholm is owned by MTR London/Europe, which in turn is owned by the MTR Hong Kong group. This ownership structure implies that MTR Stockholm reports to MTR London, but all operational contact is managed directly with MTR in Hong Kong. MTR Stockholm has 2600 employees and the turnover in 2011 was approximately 2,66 billion SEK. (Unosson, 2012, p.1; MTR Stockholm)

### *MTR Hong Kong*

MTR Hong Kong is owned by the state to 77 %, but is since year 2000 noted on the Hong Kong stock exchange. The turnover in 2011 was approximately 38 billion SEK and in 2010 they were 20 500 employees. (MTR Hong Kong)

The motive for MTR to take over the contract for Stockholms Tunnelbana was to obtain experience in order to improve possibilities to win new procurement contracts internationally (Unosson, 2012, p.3). For Stockholms Tunnelbana, a motive to be acquired in the sense that is discussed regarding the other companies does not exist. MTR simply won the procurement contract due to having the best offer in the bidding process.

MTR Hong Kong has made changes in Stockholm regarding organization, leadership, reporting routines and improvement processes. Members of the organizations are forced to adapt to new ways of working and several aspects of the organizations are affected including procedural, cultural and role related aspects.

Unosson and Kronlund agree that most changes are completed although some changes remain to carry out. The most apparent one being the cultural aspect of fully integrating the value of customer orientation. They also express that the first phase of changes has taken longer than expected. (Kronlund, 2012, p.4; Unosson, 2012, pp.3-9)

Concerning integration, basic procedural integration has been carried out as well as most aspects' of functional integration. This includes integration of work procedures, changes in personnel, structural adjustments, collection of new data and changes in report format.

Socio-cultural integration, for example building of trust, has taken place to some extent. Processes of socialization appear to be taking place including for example study trips taken by various teams to Hong Kong. However, integration of some aspects of corporate culture, like the value of customer orientation mentioned above, has still not been fully achieved.

## **4.2 Organizational and Managerial Differences**

By processing the interview material, four common organizational and managerial differences has been identified as recurring and significant. Hence, the first research question has been answered: the four differences identified concerns approach to control, hierarchy, personal relationships and long- vs. short-term orientation. The empirical material below is presented according to these themes.

### **Approach to Control**

The aspect of control is raised in several of the interviews. Before Hammargrens was acquired by Brothers, one employee from Brothers lived in Sweden for several months and accompanied Wetterström daily in his work, and reported back to the headquarters in China (Wetterström, 2012, p.1; Daun, 2012 p.3). Just after the acquisition, one of the co-founders of Brothers and her husband lived and worked within Hammargrens. Wetterström says:

*“This Chinese couple was here for just under a year, and you noticed that there was a lot of insecurity. They tried to understand us, how we function in Sweden, and they had many questions”* (Wetterström, 2012, p.1)

Furthermore, the Chinese couple was perceived as superfluous and it was not really clear to the Swedes what the Chinese’s assignment was. (Daun, 2012, p.11)

However, in several of the interviews with employees at Hammargrens, it becomes evident that the issue of control is not a problem today. Since the new CEO took over in 2006, Brothers’ need for control have diminished (Wetterström, 2012, p.6; Daun, 2012, p.2). Furthermore, Kanetoft says that, in his experience, there is no detailed steering or control from the headquarters today. (Kanetoft, 2012, p.5)

Kronlund at MTR states that there were extra resources supervising certain critical parts of the operations during the initial phase after the operational takeover (Kronlund, 2012, p.11). Brask, who has been working with the International Organization Standardization (ISO) certification within MTR, says that after MTR Stockholm had passed the certification, there was less control, and that the headquarters trusted the ISO-group more. She also affirms that the headquarters executed more control in the beginning after the operational takeover, and that there was a larger focus on details at that point. However, this has decreased over the years, and today she says that in her opinion the Stockholm office is more independent (Brask, 2012, pp.3, 11). Unosson agrees with this and says that presently there is no detailed control, but that the Hong Kong co-workers are eager to help out when needed. (Unosson, 2012, p.6)

In addition, both Brask and Unosson testifies that there are more reports to write now than there was before the operational takeover, but this might be an expectation stemming from the British office, not the Hong Kong office. (Brask, 2012, p.4; Unosson, 2012, p.6)

### *Financial Reporting Control*

When Hammargrens was first acquired, issues related to understanding, merging and controlling the financial reporting arose. It was difficult for the Chinese owner to understand the Swedish reporting standards and they asked many questions during the



first years. According to Wetterström, this was mostly an attempt to understand, not steer, the operations, although the former CEO was rather disturbed by this. In 2008, when the new CEO of Hammargrens had been in office for a while, a Hong Kong based accountant with knowledge of western accounting and reporting standards was hired to facilitate better understanding of the Swedish reporting standards. This decreased the pressure on Hammargrens substantially and the problematic situation concerning control and accounting settled. Today, the only control exercised by Brothers concerns normal financial accounting. (Wetterström, 2012, pp.2, 7, 8)

In AmanziTel, the most evident matter concerning control is the increased need for reports that has been initiated by the Chinese owners after the acquisition. According to Chinese laws, public companies need to report more frequently than Swedish companies do, which intensifies demands on AmanziTel (Vernon, 2012, pp.1, 8). Vernon, CEO and co-founder of AmanziTel, comments this by saying that:

*"I think we are starting to see it already. Late last year they started making requirements on how we do our financial reporting, so we had to adjust that. There are still additional requirements coming in there. I think we'll start to see a little bit more over time."* (Vernon, 2012, p.8)

Furthermore, DingLi has also been granted direct access to some of AmanziTel's computer systems, to facilitate information sharing concerning working hours, project progress, productivity, etc. (Vernon, 2012, p.5)

As mentioned earlier, standards for reporting within MTR have also become tougher and there is an expectation to report more often than before the take over. (Brask, 2012, p.4; Unosson, 2012, p.6)

### **Approach to Hierarchy**

The issue of the differing attitudes towards hierarchy becomes evident in the three cases, although in different ways and on different levels in the organizations.

Wetterström, the CEO of Hammargrens, describes that their parent company is hierarchical, especially on the leadership level. He also describes that there is a hierarchical decision-making structure at the board meetings:

*"And it is hierarchical, not democratic like in Sweden. Gary (the owner) listens to the information and then comes a decision. And, as a rule, it is irreversible". (Wetterström, 2012, pp.9-10)*

Furthermore, the following passage from the interview with Wetterström describes how top management function in Brothers:

*Interviewer: "Is Gary at the top of the hierarchical structure within the company?"*

*Wetterström: "Yes, he is everything, so to speak"*

*Interviewer: "And who is below him?"*

*Wetterström: "Actually, there is no one below him"*

*Interviewer: "Ok, so it is just Gary?"*

*Wetterström: "Then there are only employees...." (Wetterström, 2012, p.10)*

In contrast to Hammargrens, employees in AmanziTel does not consider the hierarchical structure and behavior on the top-management level of DingLi as a problem. Vernon believes that this is because DingLi is run in an international manner (Vernon 2012, p.6; Taverner, 2012, p.13). However, Jonas Schultz, who is development manager and works closely with a Chinese team of consultants, has noticed problems connected to hierarchy at several occasions. He describes that his Chinese co-workers cannot challenge what he says and in his opinion this is dependent upon the fact that he is their manager. He even describes it as being seen as some sort of god. Furthermore, he states that it was troublesome to gain straight answers in the beginning, but that this has become better with time. (Schultz, 2012, pp.2, 4)

Taverner connects the hierarchical problems to honor. One example concerns a problem AmanziTel had with a Chinese employee:

*“And because he was experienced, everybody respected him even though he performed badly. So this made it really hard to resolve the issue, and get him to perform well. It was almost like he performed well by default: it is written down on the CV that he performed well and therefore he is.”* (Taverner, 2012, p.10)

Kronlund and Brask, both within MTR, noticed the hierarchical situation when they visited MTR in Hong Kong. In some situations it was very clear who was the leader, since others asked for permission to speak in their presence, or waited until that person left before speaking. And then the next person in the hierarchy spoke, etc. (Kronlund, 2012, p.6; Brask, 2012, p.9)

### **Approach to Personal Relationships**

The importance of personal relationships in order to do business is emphasized in all of the three research cases. When Hammargrens was acquired, several of the employees in Sweden were treated to a two weeks long journey to China, together with the Chinese employees who were most crucial for their future cooperation. Kanetoft believes that the broad understanding his Chinese co-workers have for the Swedish culture was facilitated by this journey and the fact that they have had the opportunity to create private relationships (Kanetoft, 2012, pp.4, 10). Every year since the acquisition both the CEO and head of production in Hammargrens have travelled to China on business trips.

Wetterström says that board meetings are always followed by at least one evening of socialization and relationship building (Wetterström, 2012, p.11). Daun also believes that one of the purposes of stationing the Chinese couple in Sweden after the acquisition was to facilitate a closer contact between the two companies and create closer relationships. (Daun, 2012, p.3)

Vernon, the CEO of AmanziTel, also emphasizes the importance of private relationships in the Chinese business world. He says that if you do business with upper management it is important that you take them out for dinner, drinks and entertainment. Although in his opinion, this is not specific for China but rather a cultural aspect common across Asian countries.

Schultz, who also works at AmanziTel, says that he has tried to create personal relationships with his Chinese team in order to establish an open environment. He wants them to feel safe so that they can be honest with him about, for example, problems and misunderstandings. In his opinion this was difficult in the beginning, but he can also see that they are making progress and that the relationship is changing. (Schultz, 2012, p.2)

It was important to spend time together after the meetings and get to know each other when employees from MTR Stockholm's office travelled to Hong Kong in 2011. Brask says that they had an extensive program and that they were very well taken care of. In her opinion, the objective of this was to get to know each other better. Furthermore, co-workers from Hong Kong often visit the Stockholm office, both for work-related reasons and to learn and facilitate understanding. (Unosson, 2012, p.5; Brask, 2012, p.10)

A supporting argument is that the importance of personal relationships are also mentioned by both Rönnbäck at CDC (Rönnbäck, 2012, p.11), and by Sören Petterson at Invest Sweden, during the pilot study:

*"It is very focused on creating relationships. You have to gain a person's trust: not only get the general presentation, but also really get to know that person. /.../ And this is very much a matter of relationships and social contact with each other, so that they can be confident in you. If they do not trust you, nothing will happen."* (Petterson, 2012, p.4)

### **Approach to Long- vs. Short-term Orientation**

When interviewing employees at AmanziTel, it is affirmed by several interviewees that the Chinese's approach to long vs. short-term orientation differs from that in Sweden and the western world.

*"So, when you have to decide whether you invest in something or not you have to look at what happens long-term and what happens in the short-term. Sometimes in the western companies that are publicly listed, it is very short-term focused. China is... That's quite different."* (Vernon, 2012, p.6)

He also says that the long-term strategy is always considered when making decisions in DingLi, but emphasizes that this approach to long- vs. short-term perspectives is not dependent on culture, but on the individual approach to how you do business. (Vernon, 2012, p.7, 11)

A strong focus on long-term perspective is also noticeable in Hammargrens' and MTR's parent companies. Wetterström illustrates this by describing his own long-drawn employment process, and says that this stems from a long-term planning, which is evident in everything that the owner of Brothers does. Furthermore, it was Wetterströms' first task as the CEO to hire a new sales manager, who could learn the tasks and eventually succeed Wetterström as CEO. (Wetterström, 2012, pp.2, 12)

MTR in Hong Kong also has a long-term perspective on business, but there is an aggravating condition when trying to transfer this to the Stockholm business, due to the relatively short horizon of the procurement contract. (Unosson, 2012, pp.4, 11)

Lagerkvist comments on the Chinese approach to time by referring this to the country's political context:

*"The political imperative guides everything – there is a long-term approach to everything Chinas does."* (Lagerkvist, 2012, p.6)

## 5. Analysis

In order to answer the research question, the empirics are analyzed in three steps. In the first step, the current integration in each acquisition is analyzed. Secondly, the organizational and managerial differences identified in the empirics are analyzed using the post-acquisition theory and the findings from the first step of analysis. Thirdly, the organizational and managerial differences are analyzed based on the cultural theory. Finally, conclusions are drawn regarding to what extent post-acquisition integration and cultural differences respectively can explain the organizational and managerial differences.

### 5.1 Level of Integration Needed

The current integration in the acquisitions is analyzed below through first establishing each acquisition's progress in the integration process, and secondly establishing the degree of integration needed.

#### **Integration Stages**

Based on Seo and Hill's (2005) model of integration stages presented in the theoretical framework, the case study companies' progress in the integration process will be mapped out below.

#### *AmanziTel*

AmanziTel was acquired in May 2011. Hence, at the time of the interviews nine months had passed since the acquisition. Several aspects indicate that AmanziTel is currently in the operational combination stage. Due to the shift in strategy, reporting is adjusted, work tasks and roles are altered and employees are required to adapt. Furthermore, integration in Amanzitel has progressed to approximately the middle of the operational combination stage. Basic procedural integration has taken place, however, the new strategy, altered work tasks and roles are still developing. Hence, some time remains before AmanziTel has reached the stage of stabilization.

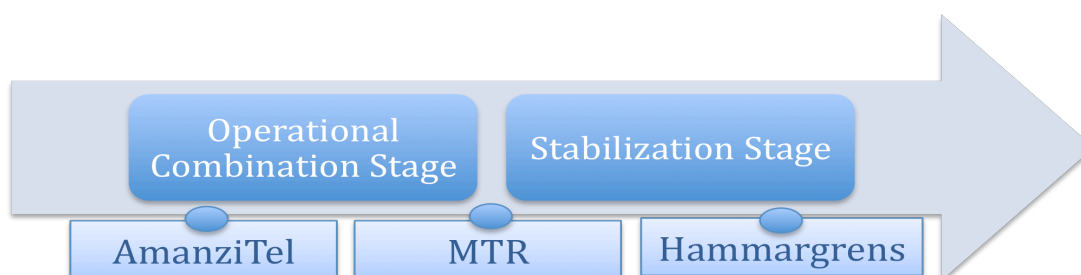
### *Hammargrens*

Almost ten years have passed since the acquisition and Hammargrens gives the impression of being in a stable relationship with its owner. The companies are fully integrated to the extent required, including procedures, roles and cultural aspects of integration. Hence, Hammargrens is judged to be in the stabilization stage of the integration process.

### *MTR Stockholm*

MTR Stockholm has progressed further than AmanziTel in the integration process. Operational combination has largely taken place as more than two years have passed since MTR Hong Kong took over operations. Many aspects of the organization have been affected including procedural, cultural and role related aspects. Kronlund states that the most important changes were completed during 2011, which supports this. However, both Kronlund and Unosson voice that several aspects of organizational change and development remain to be carried out in a second phase over the years to come. Therefore, MTR Stockholm is estimated to be located in the transition period between the operational combination stage and stabilization stage.

The conclusions drawn above regarding the companies' positions in the integration process are summarized in the graph below.



*Graph 1: The graph displays the operational combination stage and the stabilization stage of the M&A integration process, and the three case companies' respective progress in the integration process.*

## Determinants of the Need for Post-acquisition Integration

Using Shrivastava's (1986) framework, the degree of post-acquisition integration required is analyzed below based on acquisition motive, size of company and type of acquired business. Except for establishing the degree of post-acquisition integration required in the individual acquisitions, analysis will also be stretched to establish which parts of the organizations and which individuals that are required to integrate most. This will be the basis on which parts of the subsequent analysis will be built.

### *Size and Type of Acquired Business*

Estimates of size, annual turnover and the number of employees are displayed in table 6 below. If the merging companies are large, integration problems are likely to be more diverse and intensive according to Shrivastava. The only acquisition where both organizations are large is the case of MTR Stockholm and MTR Hong Kong. Hence, integration might be more complicated in MTR as an effect of size.

Size of Case Study Companies (Turnover and Number of Employees)						
Company	AmanziTel	DingLi	MTR Sthlm	MTR Group	Hammargrens	Brothers
Turnover 2011	3 MSEK	490 MSEK	2 660 MSEK	38 000 MSEK	30 MSEK	1000 MSEK
Employees 2011	9	1400-1500	2600	20 500 (y. 2010)	11	3000

Table 6. The table displays the annual turnover and number of employees for each case study company and their parent company.

Turnover and number of employees in both Hammargrens and AmanziTel indicate that these companies are best defined as small single-unit firms. However, regarding MTR Stockholm the table indicates that it is a large organization. As it only contains one set of main functions, it is therefore defined as a functional organization. (MTR Stockholm) The type of organization acquired is one of the key determinants of the extent of post-acquisition integration needed (see table 7 below).

### *Acquisition Motives*

DingLi's initial motive when acquiring AmanziTel was market expansion into Europe. However, during negotiations, technology became an additional and more significant



motive. Hence, the motive of DingLi when acquiring AmanziTel was to exploit several synergies.

As MTR Stockholm in reality consists a procurement contract and not an acquisition, it is somewhat harder to categorize according to acquisition motives. However, MTR Hong Kong has got an overall strategy of international market expansion in terms of operations and procurement contracts. This motive is therefore judged to be comparable to the motive of increasing market shares in Shrivastava's model. Hence, MTR Hong Kong's motive is categorized as a motive of market expansion.

Finally, based on the empirical background, Brothers' motive to acquire Hammargrens is categorized as market expansion.

In summary, Hammargrens and AmanziTel are categorized as small-single unit firms, while MTR Stockholm is defined as a functional organization. Regarding acquisition motives, DingLi's motive to acquire AmanziTel was to exploit synergies, while the other two parent companies' motive for acquisition was market expansion. In table 7 below, the companies are categorized into Shrivastava's model based on these conclusions.

Extent of Post-acquisition Integration Needed – Shrivastava (1986)				
Acquisition Motives	Size and Type of Acquired Business			
	Small-single Unit Firm	Functional	Divisionalized	Conglomerate
Increased Market Share in a Limited Product/market Domain	Hammargrens (Amanzitel)	MTR Stockolm		
Reduce Competition				
Impulse Purchase				
Buying Technology	(Amanzitel)			
Rapid Growth				
Multiple Synergies	Amanzitel			

Table 7. The table categorizes each of the case study companies according to the three key determinants of integration: acquisition motive, size and type of acquired business. Each case study company is categorized according to its main acquisition motive. In addition, AmanziTel's sub-acquisition motives are included in the categorization within parentheses.

### The Degree of Post-acquisition Integration Needed

For each combination of acquisition motive and type of acquired business, Shrivastava's model suggests a specific extent of integration required. For each acquisition, his suggestions are stated below. The fit of the suggestions are also discussed and adjustments are proposed to better match empirics where appropriate. The purpose of this section is to establish how integrated the companies are, as well as which parts of the organization and which individuals that are required to integrate to the greatest extent. This is done in order to facilitate the later analysis, which focuses on how integration aspects can explain the four identified organizational and managerial differences.

#### *AmanziTel*

As AmanziTel is a small single-unit business and the acquisition was motivated by multiple synergies, comprehensive integration is appropriate according to Shrivastava. This includes integration of physical assets, production, marketing functions and especially technological systems. Seeing that the two companies produce and develop

products and technological systems together, but since marketing and sales efforts are entirely performed by DingLi, Shrivastava's assessment of the integration needed for AmanziTel and DingLi is only partly in line with the empirical findings. Moreover, there is only a low integration of physical assets. Hence, empirics indicate that the actual integration is lower than predicted by Shrivastava. According to empirics, integration needed could be classified as medium-high, rather than high and comprehensive. Furthermore, empirics indicate that most parts of AmanziTel's organization are affected by integration. The employees involved in top management and development operations in China need to integrate most.

### *Hammargrens*

Shrivastava's model suggests that the appropriate level of integration in Hammargrens is integration of physical assets, production and marketing functions. However, this appears inconsistent with the level of integration indicated in empirics. Functional integration seems to have been required to a limited extent, but further cooperation is mostly based on trade between the two companies. This suggests that Hammargrens is a strategic business unit and an autonomous profit center, which manages itself based on broad guidelines from Brothers. Neither physical assets nor production and marketing functions have been integrated. Hence, actual integration is lower than predicted by Shrivastava. The empirics indicate that integration needed could be classified as low. Furthermore, the empirics show that the process of integration today only affects top management.

### *MTR*

According to Shrivastava's model the appropriate integration for MTR Stockholm is to integrate product lines and functional areas. Since MTR Stockholm and MTR Hong Kong provide services geographically independent of each other, integration of product lines does not apply. Integration of functional areas has happened as MTR Hong Kong has imposed some of its management tools, control systems and processes in Stockholm. Hence, the empirics indicate that actual integration is on a lower level than predicted by Shrivastava, and that a medium-low degree of integration is required in the acquisition.

Only some organizational parts of MTR Stockholm are affected extensively by integration. The employees most affected by integration include top and middle management. For example, their working processes and reporting procedures have been affected by integration.

To summarize, AmanziTel needs a medium-high level of integration and foremost top management and production is involved in the integration process. Hammargrens has a low level of integration, implying that only top management is involved in the integration process today, while MTR Stockholm has a medium-low level of integration, where top and middle management are affected. The conclusions drawn in this section are summarized in table 8 below.

<b>Conclusions Regarding Level of Integration</b>			
<b>Company</b>	<b>Level of Integration in Company</b>	<b>Organizational Parts Involved in Integration</b>	<b>Interviewees most Involved in Integration</b>
<b>AmanziTel</b>	Medium - High	Top management, Production	Jonas Schultz Ian Vernon Craig Taverner
<b>Hammargrens</b>	Low	Top management	Thomas Wetterström
<b>MTR</b>	Medium - Low	Top and middle management	Henrik Unosson Charlotte Brask Maria Kronlund

*Table 8. The table summarizes the degree of post-acquisition integration required in each case study company as well as the parts of the organization and the interviewees most involved in integration.*

## 5.2 Organizational and Managerial Differences - Integration Theory

The findings in the first section of the analysis will now be used in order to examine how M&A integration theory can explain the four identified organizational and managerial differences.

## **Approach to Control**

Looking at the level of control exercised by the acquirer in the three target companies, three aspects of integration are put forward that partially can explain the level of control implemented.

Firstly, the degree of control appears to be dependent on the merging companies' progress in the integration process. During the operational combination stage, Hammargrens experienced rather extensive control. However, today Hammargrens is the company experiencing least control from their owner. At the same time, they have come farthest in the integration process. Both MTR and AmanziTel, which are presently in the operational combination stage, are controlled to a larger extent. Moreover, all the interviewees in MTR indicate that control was stronger during the initial stage following the takeover of the contract. This means that the degree of control has been higher in the operational integration stage for all three companies.

A second factor that might affect the degree of control is the size of the companies. In AmanziTel, the small single-unit firm, financial reporting and control through metrics and numbers have been the primary form of control. This is a contrast to MTR, where written reports regarding other aspects than financial are additionally submitted by employees on a monthly basis. Controlling a large organization tend to require more standardized control, not only concerning financial numbers but also regarding aspects of operations and overall processes in the company. Hence, the difference in the degree of control appears to be related to the size of the companies.

Thirdly, there is a possibility that the level of integration required affects the level of control exercised. If the level of integration needed is high, more control is required in order to make sure that the synergies aimed for is achieved. Since the level of integration required is related to the acquisition motive, it can be argued that acquisition motive also influences the degree of control. For example in Hammargrens, the acquisition motive was categorized as market extension through an acquisition of a strategic business unit, and such a motive does in nature only require a low level of integration. Since the level of control exercised by the parent company today is low it appears as if the motive requires less control. Concerning AmanziTel, control is today

exercised to a high degree by the parent company. This is argued to be connected to the acquisition motive of technology development and innovation, which requires extensive integration and thereby more control. Following these observations, analysis of the empirics indicates that the acquisition motive influences the level of integration, and therefore the degree of control exercised by the parent company.

In summary, analysis show that the need for control can be explained by three aspects of the M&A integration theory: the progress in the integration process, size of the merging companies and the level of integration needed.

### **Approach to Hierarchy**

Differences in approach to hierarchy is not a phenomenon that originate from an acquisition process. Therefore, the organizational and managerial differences related to hierarchy cannot be directly explained by applying the M&A integration frameworks.

Instead, it is relevant to analyze whether the level of post-acquisition integration affects how clearly the organizational and managerial differences related hierarchy are expressed. It is interesting to see that the difference in approach to hierarchy have foremost been experienced by the individuals most involved in integration across the case study companies (see table 8). In Hammargrens, Wetterström has experienced differences in his relation to the owner and in AmanziTel, Schultz has experienced differences when dealing with the Chinese developers engaged in operations. In MTR, this difference in approach has been brought up in regard to face-to-face meetings. Oppositely, the interviewees less involved in integration have not brought up hierarchy as an issue in their interviews.

In conclusion, differences in approach to hierarchy in an organization cannot be explained by M&A integration theory. A high level of integration might, however, accentuate differences and cause an increased number of issues related to hierarchy, especially in parts of the organization highly involved in integration.

### **Approach to Personal Relationships**

In Shrivastava's framework, personal relationships are connected to sociocultural integration. In an M&A setting, socialization processes contribute to build trust, achieve commitment and motivation of personnel, create a new corporate culture and unify organizational frames of reference. Consequently, a strive for integration can at least partly explain the frequent occurrence of informal socialization and visits to China and Sweden made by employees in the companies.

Seo and Hill (2005) states that the operational combination stage often create cultural clashes which might become barriers and cause stress. In the case of Hammargrens, Brothers invited the employees most important for successful integration to China relatively soon after the acquisition, in order to establish relationships. In MTR, study visits have also taken place from the beginning. The fact that this happened early in the operational combination stage suggests that visits have been made in order to bridge cultural barriers, create trust and motivation. No such additional journeys have been arranged for all the employees in Hammargrens following the first journey, although, the CEO and production manager still travels to China each year on business. Visits to Sweden by Chinese management have been less frequent. This suggests that, after the companies had successfully integrated, the need for meeting face-to-face decreased, but the top management – earlier identified as most involved in integration – is still engaged in activities to build personal relationship.

In AmanziTel, Schultz's journeys to visit the development team in DingLi, are partly aimed at building personal relationships, and establish an open environment. The personal relationships Schultz seeks to establish can be viewed as an attempt to achieve sociocultural integration and bridge challenges stemming from cultural clashes, which is in line with Shrivastava's and Seo and Hill's frameworks. Furthermore, Schultz is one of the employees judged to be most involved in the integration, which may also explain why he makes an effort to build personal relationships.

In summary, the need for sociocultural integration in a post-acquisition process offers partial explanation of why interviewees have expressed personal relationships as important. Furthermore, the personal relationships sought across the acquisitions

studied seem to partially be explained by the degree of integration required. The employees most involved in the integration process have sought personal relationships to a greater extent than other employees.

### **Approach to Long- vs. Short-term Orientation**

Similarly to the topic of hierarchy, the difference in approach to long-term strategy is not a phenomenon that originates from an acquisition process. Therefore differences related to hierarchy cannot be directly explained by applying the M&A integration frameworks. Nevertheless, the Chinese' greater emphasis on long-term focus seems to be related to the motive and strategy of the acquisition. Furthermore, the difference has been expressed by interviewees in the parts of the organization most involved in integration.

In AmanziTel, it has been expressed as important that strategy and product decisions align to the long-term strategy. For example, the investments are supposed to pay off within 5-10 years and joint products are to be developed. In order for the technological investments and synergies to be achieved, a long-term focus is critical. The fact that the long-term focus is critical to achieve synergies, and furthermore that Brothers' motive for acquiring AmanziTel was to achieve multiple synergies, shows that the motive affects the degree of long-term orientation.

In Hammargrens, long-term focus has been expressed in relation to the appointment of CEO, and the early preparations for the CEO's successor. The fact that a long-term focus is expressed in this context signals the importance of the decision. Since the motive of the acquisition was to acquire market shares, and the execution mode of doing this is by letting Hammargrens remain fairly independent, it is important for Brothers to have a person whom they can trust as CEO. This shows that the motive of the acquisition and strategy for cooperation affects why Brothers' has a long-term focus regarding key employees.

In MTR, a long-term focus is evident in the strategy of gradual and systematic improvements implemented in the Stockholm operations. The interviewees have furthermore expressed that employees at MTR Hong Kong sometimes expresses a wish



for long-term investments that cannot be realized due to the limited time-horizon of the contract. Seeing that MTR Stockholm operates on a procurement contract, these observations are in line with the motive.

Furthermore, in both Hammargrens and AmanziTel, employees at top management levels foremost notice this difference, while middle management in MTR also observes it. This indicates that this difference in approach to long vs. short-term focus is more evident in parts of the organization involved in integration.

To summarize, the M&A integration theory cannot directly explain the difference in approach to long-term focus. However, the focus appears to have been more clearly expressed in aspects closely related to the motive and core strategies of the acquisitions. Furthermore, it also seems as though the long-term focus is more evident in parts of the organization most affected by integration.

### 5.3 Organizational and Managerial Differences - National Culture

#### **Approach to Control**

In Nardon and Steers' framework, the dimension best related to the issue of control is the Relationship with Environment Dimension. Seeing how the definition of the dimension explicitly mentions the extent to which people try to control their social and natural surroundings, the dimension is obviously relevant when analyzing the approach to control.

In our empirics it is evident that the Chinese parent companies exercise varying degrees of control, or as in the case of Hammargrens, used to exercise control. One way of viewing this need for control is as an expression for a wish to be cautious, and skeptical towards change and new things. Both these aspects are characteristics of a harmony culture. Since China is characterized as a harmony culture, the empirical findings match the cultural findings concerning this specific definition. However what contradicts the explanatory strength of the dimension is that Sweden is also positioned as a harmony culture. In fact, it is positioned as harmony+. Consequently, although the dimension might explain the actions of the Chinese acquirers, the dimension does not explain why

the Swedish interviewees observed this specific difference in relation to the Chinese.

Another characteristic of harmony cultures is that they have a passive and reactive approach, while mastery cultures have an assertive and proactive approach. Exercising control through strict rules on reporting is more of an assertive and proactive approach than a passive and reactive. In this case, the empirics seem to lean more towards the characteristics connected to mastery cultures, which contradicts Nardon and Steers' characterization of China. Hence, the Relationship with Environment Dimension cannot explain the need for control identified in the three case studies.

The issue of control can also be looked at in relation to the Rule Orientation Dimension, where Sweden is positioned to be universalistic+ and China particularistic. One characteristic of a particularistic culture is that influential people often regulate individual behavior. By sending employees to Sweden to report back to the owner, it could be argued that Brothers tried to control their subsidiary through creating relationships. This can be viewed as a way of trying to exercise control through influential people. The above observation implies that the need for control is in accordance with the positioning of the Chinese culture as particularistic and thereby Nardon and Steers' positioning of China in the Rule Orientation Dimension.

The financial reporting as an expression of a need for control shows that the parent companies emphasize the importance of record keeping. However, according to Nardon and Steers, emphasis on record keeping is a characteristic for universalistic cultures, not particularistic cultures. Hence, these observations from the empirical material contradicts Nardon and Steers' positioning of the national cultures in the Rule Orientation Dimension. Summarizing the two sets of observations relating to the Rule Orientation Dimension, the first is in accordance with the cultures' positioning, whereas the second contradicts it. As a whole, the dimension can therefore not consistently explain the difference in approach to control.

The conclusion is that two cultural dimensions include aspects relating to control but the difference in approach observed in the companies cannot be explained by the Relationship with Environment Dimension or the Rule Orientation Dimension.

## **Approach to Hierarchy**

The different approaches to hierarchy are best analyzed based on the Power Distribution Dimension, since it focuses on to what extent a culture is hierarchical or egalitarian.

In the case of how decisions are made at the board meetings of Hammargrens, it is evident that they are sometimes made exclusively by Gary Wang. Wang has the ultimate power and sometimes uses it to make decision on his own. This means that the decisions are centralized, and in extension, that there is a wide acceptance for ascribed authority. The Swedish co-workers are expected to accept that the ultimate power resides in the business leader of Brothers. Wetterström also says that the decisions made by the owner are irreversible. This signals that there is a considerable respect for authority and an embedded expectation that authorities are not to be questioned. Furthermore, Wetterström's description of how Brothers is organized vertically shows that there is a strong tendency to distribute power hierarchically. Since several of these observations are characteristics of a hierarchical organization, this indicates that the organization structure of Brothers is strongly hierarchical.

In AmanziTel, the issue described by Schultz concerning his team's problem to question him because of his position as manager, clearly indicates that his Chinese co-workers have a strong respect for authority and are reluctant to question authorities. An additional aspect of the approach to hierarchy is Taverner's example of the underperforming employee. An employee of authority did not perform according to expectations, but the problem was not acknowledged. The reason is that the underperforming person was a senior employee, perceived to perform well "by default", as Taverner describes it. The observation shows that the employees of DingLi respect authorities and believe in ascribed power. These observations correspond to the characteristic of hierarchical cultures.

The situation described concerning MTR's visit to Hong Kong, where permission was asked to talk in the company of superiors etc, shows that they also have a deeply rooted respect for authority. Moreover, it demonstrates that there is a strong focus on who is in charge since that person is expected to direct conversations and make decisions.

The empirics clearly show that the hierarchical approach identified in the three case studies can be related to the Power Distribution Dimension described in Nardon and Steers framework. This is in line with Nardon and Steers' positioning of Sweden and China in this dimension, where China is judged to be hierarchical and Sweden, in contrast, is very egalitarian.

### **Approach to Personal Relationships**

None of the cultural dimensions can independently explain the differences in approach to personal relationships. However, three of the five dimensions are characterized by definitions relating to personal relationships. The three dimensions are the Relationship with Environment Dimension, the Social Organization Dimension, and the Rule Orientation Dimension.

One of the definitions of a harmony culture, within the Relationship with Environment Dimension, is that relationships are valued over achievements. Although empirics do not show that relationships are valued higher than achievements, it is clear that relationships are highly valued. This corresponds to China's positioning as a harmony culture in this dimension. However, Sweden is judged to be harmony+, which, should mean that Sweden would have a stronger emphasis on personal relationships than China. This is not what has been observed in the empirics. Hence, the difference in approach to personal relationships does not seem to be explained by the Relationship with Environment Dimension.

Concerning the Social Organization Dimension, one of the characteristics of a collectivist culture is that agreements are relationship-based. This could be one of the explanations to why personal relationships are given such value in the case study companies, and it corresponds to the positioning of China in this dimension.

Sören Petterson, Invest Sweden, emphasizes the importance of personal relationships and connects this to trust and confidence. One of the characteristics of particularistic cultures, in the Rule Orientation Dimension, is that such cultures emphasize interpersonal relationships, trust, and doing things through informal networks. The

orientation towards establishing relationships observed in the empirics is therefore not surprising: according to Nardon and Steers (2009), China is a relationship-based and particularistic country, while Sweden is universalistic.

The conclusion is that, while there is no cultural dimension solely explaining the differences in approach to personal relationships, there are characteristics of several of the dimensions that seem to indicate that personal relationships are more important in the Chinese culture. This is most evident concerning the Social Organization Dimension and the Rule Orientation Dimension.

### **Approach to Long- vs. Short-term Orientation**

The last part of the cultural analysis is based on Hofstede et al's (2010) dimension Long- vs. short-term Orientation, which replaces Nardon and Steers framework regarding the time dimension.

The case studies clearly indicate that the approach to time differs between the two national cultures, since interviewees in all the three companies have expressed it.

Vernon says that the management in DingLi has a long-term view, and his statement about how decisions are made in AmanziTel further emphasizes this. The long-term strategy is considered in every decision the company makes, which is a quite strong statement. It indicates that the company's focus is its long-term profit and market position, one of Hofstede's definitions of a business with a strong long-term focus.

Concerning Hammargrens, the example of the long drawn employment process of the present CEO shows that the parent company has a long-term strategy in their appointments. Moreover, the fact that a successor to the present CEO is already appointed further demonstrates the emphasis placed on long-term strategy.

The case of MTR and their approach to time is difficult to analyze. According to the interviewees, the Hong Kong office has an apparent long-term focus in its management of the company. The long-term focus is for example signaled by the strategy of gradual and constant small improvements in operations. However, the characteristics of the

procurement contract make it difficult to fully transfer the long-term focus to the Stockholm office.

Empirics indicate that the three Chinese parent companies have a strong long-term focus. This is in accordance with how Hofstede's framework categorizes the two national cultures, where China is positioned to be one of the world's most long-term oriented countries. Hence, the difference in approach to long-term focus between the parent companies and the subsidiaries can be explained by cultural differences.

## 6. Conclusions

The four identified organizational and managerial differences have been analyzed from the two differing perspectives of national culture and M&A integration theory. In this closing section, conclusions are drawn concerning to what extent the differences are explained by national culture or M&A integration theory respectively.

### 6.1 Approach to Control

The differences observed regarding control were analyzed using two cultural dimensions. However, the findings proved that neither the Relationship with Environment Dimension nor the Rule Orientation Dimension could explain the difference in approach. Hence, according to Nardon and Steers' cultural framework, the issue of control cannot be explained by differences in national culture.

In contrast, three aspects of the M&A integration theory could offer explanations to why the issue of control was so evident in the empirics. These three aspects were progress in the integration process, size of the merging companies and the level of integration needed.

*In conclusion, the need for control can be explained by M&A integration theory, but not by national cultural theory.*

### 6.2 Approach to Hierarchy

The cultural analysis clearly shows that the Power Distribution Dimension in the cultural framework offer explanations of the higher degree of hierarchical patterns observed in the Chinese companies. In contrast, the difference in approach to hierarchy was concluded to not originate from an acquisition process. However, analysis using M&A integration theory proved that a high level of integration accentuates differences and cause an increased number of issues related to hierarchy, especially in parts of the organization that to a great extent are involved in integration.

*In conclusion, the differences in approach to hierarchy are first and foremost explained by differences in national culture, although the level of integration accentuates the differences.*

### **6.3 Approach to Personal Relationships**

Two of the cultural dimensions, Social Organization Dimension and the Rule Orientation Dimension, relate to personal relationships. The analysis indicates that the importance of personal relationships can to some extent be explained by the characteristics of these two dimensions, but that the approach to personal relationships cannot solely be explained by cultural differences.

From a post-acquisition integration perspective, the integration process - and specifically the sociocultural integration process - can partially explain the difference in approach to personal relationships. Moreover, the difference in approach is more apparent to the employees who are most involved in the integration process.

*In summary, neither post-acquisition integration nor national culture can fully explain the difference in approach to personal relationships. Nevertheless, it seems likely that the two perspectives can explain some aspects of the differences observed.*

### **6.4 Approach to Long- vs. Short-term Orientation**

According to the analysis of this difference from the M&A perspective, it is clear that the parent companies' long-term orientation cannot be explained by any feature of post-acquisition integration. However, it seems that the difference in approach is more clearly expressed in aspects related to motive and strategy and that the long-term focus is more evident in parts of the organization most affected by integration.

Seen from the cultural perspective, there is strong resemblance between the empirics and characteristics of a long-term oriented culture. Hence, differences in long-term orientation can be explained by cultural differences.



*In conclusion, the higher degree of long-term orientation in the Chinese parent companies is first and foremost explained by national culture. However, the motive of the acquisition and level of post-acquisition integration affects the degree to which the difference is observed.*

## **6.5 Contribution**

These findings indicate that neither post-acquisition integration theory nor national culture theory, nor both, can explain all aspects of the identified organizational and managerial differences. This clearly shows that several factors affect the post acquisition process and that both areas of research are important in studies of cross-border M&As. Furthermore, it shows that further sources of explanation need to be sought to fully understand and explain organizational and managerial differences in M&As.

The above conclusions, and the earlier identified organizational and managerial differences, contribute to an understanding of the difficulties faced in a post-acquisition process. By identifying organizational and managerial differences in the specific context of Chinese acquisitions in Sweden, an earlier never investigated area is researched. This means that problem sources, which are likely to cause difficulties for future companies and managers active in the same context, are identified and advanced.

Furthermore, by addressing these differences through the use of two different areas of research, explanations are provided for why the differences emerge. Hopefully, this also contributes to an understanding of how to deal with these differences, and minimizes their effect on future mergers and acquisitions.

## 7. Discussion

### 7.1 Limitations

When discussing the study it is relevant to consider the limitations of the conclusions. A primary limitation of the study is that the results build on a small case study.

Conclusions are thereby drawn based on a small set of empirics. Further and more comprehensive studies are needed in order to generalize the results.

Furthermore, interviews have been performed with individuals holding varying positions across the companies. In especially MTR, the interviewees' positions differ from AmanziTel and Hammargrens in the respect that no employee from the top management team was interviewed. The loss of this perspective could have affected the information received. However, top-management was not available for this study, and the loss of perspective is not deemed to have affected the credibility of the results to a large extent.

In addition, the three case study companies differ in profile. Except for differences regarding size and industry, they also differ in their relation to the Chinese culture. Brothers is a Chinese enterprise lead by Chinese managers whereas MTR is a Hong-Kong based company and Ding-Li is a Chinese company with several international top managers. As half the study focuses on cultural issues, a diverse Chinese cultural background can be seen as a weakness in the empirics. On the other hand, results obtained in a study across companies with heterogeneous profiles also make them more generalizable. Concretely, one can argue that the organizational and managerial differences observed in this study are more significant as they are observed across diverse companies.

The aim of this paper has been to explain how M&A integration theory and national culture theory can explain organizational and managerial differences observed in three specific cases. Previous research indicates that company culture is equally important when analyzing the influence of culture in M&As. However, this thesis excluded

company culture due to the limited scope. Had it been included, it is reasonable to believe that it would have contributed to further nuanced conclusions.

## **7.2 Suggestions for Further Research**

For further studies it would be interesting to carry out similar and more extensive studies, including a larger set of empirics with regards to study companies, interviewees or both. Such a study would facilitate research into additional organizational and managerial differences and generate more generalizable results. Furthermore, studies of M&A integration processes and related cultural issues need to be increasingly studied over time to gain a more comprehensive understanding of the whole process.

If the trend of Chinese acquisitions continues in Europe, there will be increased access to empirics for research in the years to come. Moreover, there will be a larger demand for learning's from practitioners working in the context of Chinese-European M&As.

## **7.3 Managerial Implications**

The most evident managerial implication in this study is the importance of careful management of the post-acquisition integration process, and in particular cultural aspects of integration. The results further show that issues stemming from cultural differences increase with a higher level of integration. As a result, managers in an M&A process should recognize the importance of support and education for employees working in the parts of the organization most affected by integration. This is crucial to facilitate successful integration and avoid that yet other acquisitions fail.

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